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Professional Notes

Consolidation of Tax Law

ONE OF THE STOUTEST VOLUMES ON OUR BOOKSHELVES IS THE REPORT OF THE Committee on the Codification of the Income Tax. One of the stoutest, but also one of the most ineffectual. The Report was a vain but laborious exercise in how to codify the tax law, but since it was issued in 1936 no one in authority has been moved to make the codification, despite repeated pleas for it, particularly from the legal and accounting professions. Now, fifteen years after the Committee's labours, appears the welcome draft Income Tax Consolidation Bill (Command Paper 8174), an introductory note to which says that it is a useful, if not essential, preliminary "to codification, when that can be undertaken." Consolidation is not as good as codification, for it does not incorporate in the Statutes either case law or practice. But this new measure does at least bring into the single Bill, and in coherent form, the income tax provisions of 37 Finance Acts, four Income Tax Acts and a score or so of subsidiary Acts. It will be revised to include the provisions of this year's Finance Act and will operate for the financial year 1952-53.

Suggestions are invited for the improvement of the Bill: they should be sent to the Secretary of the Board of Inland Revenue before the end of July.

The Flexible Budget

There has just appeared a welcome addition to the excellent booklets of the British Institute of Management—the first of a series on Financial Management. It is *The Flexible Budget—A Tool for Management*, based on an original paper by Mr. H. Hodgson, A.C.A. presented at last year's B.I.M. spring conference, which has been adapted for more general reading and is endorsed by the B.I.M. Advisory Panel of Accountants.

The Flexible Budget is addressed primarily to managers and should assist materially to dispel any doubts that they may have on the practicability of the invaluable management tool that the accountant can provide for them through the technique of flexible budgetary control. The booklet, however, will be of considerable interest to accountants for the very clear exposition that is given of the principles and basic philosophy of the flexible budget, and the fundamental effect on budgeted cost of fixed and variable expense. Mr. Hodgson demonstrates that by use of flexible budgeting there is obtained at the outset a proper relationship between manufacturing potential at each process stage and the expected sales of the products passing through those processes, and positive control is provided over internal operational inefficiencies and overhead expenses. It is further explained how the budget system provides guidance for selling policy by showing the effect of sales volume on expenditure and cost, and the relative profitability of products, and by providing means for calculating minimum selling prices.

In his conclusion Mr. Hodgson claims that the routine working of a complete scheme of budgetary control and standard costs is no more expensive than any other scheme of costing. The statement made that the expense involved in the initial construction of the budgets and in the design of the mechanism required to produce the analyses should be regarded as a capital cost, differing in no way from the purchase of any other appliance which management uses for the furtherance of profit earning, is one that is not likely to commend itself to most accountants, whatever may be its attractions to managers. It is doubted whether further additions are required

to the categories of "intangible" assets included in the balance sheet.

The booklet so closely follows on the heels of the *Management Accounting* report of the specialist team that visited the U.S.A. under the auspices of the Anglo-American Council on Productivity, that it is difficult to avoid comparing the approach to budgeting recommended in this B.I.M. publication with the reported approach of American industrial managers and accountants. The opinion expressed by the Management Accounting team was that flexible budgetary control was largely outmoded in the U.S.A. and that a technique of long-term and short-term budgets has been developed which is simpler in application and keeps the budgeting in closer touch with reality, especially in current conditions of rapid industrial changes. It is hoped that further detailed guidance may soon be forthcoming to managers and accountants on the application of American budget techniques, but meanwhile this booklet will render a real service to British industry if it stimulates more managers into action on the first recommendation of the *Management Accounting* report that "management in considering the future and preparing plans should make the fullest use of budgeting and forecasting, based on accounting and costing data."

Incorporated Accountants' Course, September, 1951

By courtesy of the Master and Fellows, arrangements are being made by the Council of the Society of Incorporated Accountants for a course to be held at Caius College, Cambridge, from Thursday evening, September 13, until Tuesday morning, September 18, 1951.

Further details about the arrangements for the course (which will be for members only) will be published later.

Approved Auditors—Scale of Fees

As announced in ACCOUNTANCY for June, 1950 (page 182), a new scale of fees for Approved Auditors under the Industrial and Provident Societies Acts and Friendly Societies Acts came into effect on January 1, 1951.

It was not clear from the official announcement whether the revised scale of fees applied to all audits commenced after January 1, 1951, or to audits of periods of accounts commencing after that date. We understand that the fact is that the revised scale applies to all audits conducted on and after January 1, 1951, regardless of the dates of the period of accounts.

It will be recalled that under the new scale the auditors' fees are assessed on the aggregate of "receipts and payments." We understand that this term includes receipts and payments in respect of investments and deposits made by way of investments. Where, however, the receipts and payments in the accounts under audit include a disproportionately large amount of capital transactions, the Registrar of Friendly Societies assumes that Approved Auditors would have due regard to the nature of these transactions in settling the audit fees.

Nationalised Gas—Accounting Arrangements

Two extracts from the recently published First Report and Accounts of the Gas Council may be read as oblique commentaries on the effect of nationalisation upon independent accountants in practice, though clearly they are not intended to be read in this way. "The accounting arrangements of the former companies," says the Report:

> varied considerably from self-contained accounting units in the larger ones to the *reliance upon the services of outside professional accountants,* (our italics) the employment of part-time officers and, as in the case of local authority undertakings, the discharge of the accounting functions by independent Chief Financial Officers. Boards were thus confronted at vesting date with the task of maintaining a continuity of accounting functions which in the past had been carried out in diverse ways, and the creation of an adequate accounting organisation. In this connection some Boards faced greater difficulties than others, largely dependent upon the arrangements in force. Little difficulty was experienced where the entire accounting units were transferred. . . .

And a little later in the Report, the Council proceeds to say:

> It has been the general practice of Boards to appoint a small staff of internal auditors responsible directly to the Chief Accountants for the purpose of ensuring the maintenance and strengthening of the methods of internal audit and internal check.

These extracts need no embellishment by us, but we must add that we appreciate that the practising accountants' loss implied in the second extract may be the non-practising accountants' gain.

Purchase Tax on Stationery

We announced in our February issue (page 39) a new Order which would require all those who print stationery, including businesses printing for their own use—but subject to certain exceptions—to pay purchase tax on the wholesale value of the stationery produced and to register for the purpose. The exceptions, allowed as a working arrangement, comprise those who print the stationery solely for use in their own business and who buy all their paper tax-paid within a total cost, including tax, of not more than £250 per annum.

This arrangement has now been modified to remove the limit of £250 per annum. That is to say, it will not be necessary for businesses printing stationery for their own use from paper purchased on a tax-paid basis to register or to pay purchase tax on the stationery, regardless of the total cost of the paper bought.

This modification of the exceptions from the Order will be important for firms of accountants, as well as for companies generally, producing their own letter paper, accounts documents and other kinds of business stationery.

Business Names

During 1950 there were 30,977 new registrations under the Registration of Business Names Act, 1916. At the end of the year the total of business names on the register was 590,201.

Seventeen prosecutions were instituted by the Board of Trade during the year for non-compliance with the provisions of the Act. Convictions were obtained in 16 of these cases.

The Migration of Mining Companies

In a memorandum to the Chancellor of the Exchequer the British Overseas Mining Association urges changes in taxation as a deterrent to the continued exodus of mining companies to overseas seats of control. After emphasising the undoubted untoward effect of this migration upon the British economy

—not least in the loss of tax revenue which is entailed — the Association makes the following recommendations :

1. The exemption of profits from mining operations overseas from United Kingdom profits tax, both in the hands of the operating company and in those of its shareholders.
2. The exemption from United Kingdom income tax of that part of the profits which is not remitted to this country.
3. The granting of depletion allowances to British overseas mining companies, on lines comparable with the allowances granted in Canada and the United States. (A depletion allowance of $33\frac{1}{3}$ per cent. of net profits over the life of a mine is granted to Canadian base metal mines and one of 40 per cent. to Canadian gold mines ; in the United States mining companies are given the option of claiming a depletion allowance unrelated to the cost of acquisition of their properties, calculated as a percentage of the gross value of annual production, the percentage for base metal mines, for instance, being 15 per cent.).

The Association places most emphasis upon the first of these recommendations. However, it seems that it has hardly faced squarely the argument that non-mining companies have an equal claim to exemption from profits tax (and also income tax) of income not remitted to this country. There is a strong case for the adoption of the third of the recommendations made, because the basic assets of a mining concern are of a wasting character—a characteristic which is recognised to only a limited degree by the allowances under Section 22 of the Finance Act, 1949.

Sir John Imrie

Sir John Imrie, C.B.E., will retire from his post as City Chamberlain of Edinburgh in October, but his valuable services will not be lost to local government after that date, even though they will be lost to Scotland. Sir John will take up an appointment as Commissioner for Local Government in Trinidad and Tobago. His task will be the setting up of a new Department of Local Government and administering it until it is properly consolidated—a task that will probably take about two years.

Sir John Imrie is a Fellow of the Society of Incorporated Accountants, whose members will wish him every happiness and success in the West Indies.

Registration of Accountants in South Africa

The Minister of Finance is to introduce into the House of Assembly of the Union of South Africa a Bill providing for the registration of practising accountants in the Union.

If the Bill passes through the House and the Senate and becomes an Act, no person who has not been registered under its terms as an accountant and auditor will be permitted, after a period of six months from the coming into force of the Act, to :

> engage in public practice as an accountant or auditor or hold himself out or allow himself to be held out as an accountant or auditor in public practice, or use any designation or description calculated to create the impression that he is an accountant or auditor in public practice.

Similarly, no person other than a registered accountant and auditor will be allowed to :

> accept an appointment or act as an auditor where the appointment of an auditor or the performance of an audit is required by law.

It is specifically provided that a salaried employee who is not carrying on business on his own account will not be prohibited from describing himself as an accountant or internal auditor in relation to the business employing him. Also, a person will be permitted to practise and describe himself as a secretary, book-keeper or cost consultant.

To obtain registration on the initial register, an accountant will be required to satisfy a number of conditions, of which the most important is that he must be a member of one of a number of bodies of accountants. These bodies include the four South African Chartered societies, the branches of the Society of Incorporated Accountants established in the Union and the South African branch of the Association of Certified and Corporate Accountants. Unless otherwise exempted he must have served under articles of clerkship for a prescribed period, but five years' practical experience in a public accountants' office and the passing of examinations deemed of a sufficiently high standard, or registration before January 1, 1950, with one of the bodies as a student and the passing of examinations of that body, may enable exemption to be obtained from this provision.

A Public Accountants' and Auditors' Board will be set up to administer the provisions of the legislation. Under the Bill it will consist of four civil servants, two university professors or lecturers, one nominee from each of the four South African Chartered societies and an additional nominee from each of those societies having more than 250 members, one person nominated by the South African branches of the Society of Incorporated Accountants, and one person nominated by each of three other bodies of accountants, one of which is the Association of Certified and Corporate Accountants.

An Accountants' Registration Advisory Committee will examine applications for registration and will make recommendations to the Board. This committee, which will be disbanded not later than 18 months from the coming into force of the legislation, will consist of five members, to be appointed by the Minister of Finance. The chairman is to be an advocate, one member a civil servant, two members are to be selected from a list of names submitted by the four South African Chartered societies, and the remaining member is to be selected from a list submitted by the remaining bodies of accountants specified.

After a date to be fixed by the Minister the Board will become responsible for conducting all examinations, but it is provided that, in the case of clerks who have served or are serving articles in the Union and who qualify for membership of specified bodies, including the Society of Incorporated Accountants, the examinations of that body may be accepted by the Board.

Provision has also been made in the Bill for all accountants registered under it to become members of the South African Chartered societies and thus to have the status of South African Chartered Accountants, with the right to use the designation "Chartered Accountant (South Africa)."

Among the other provisions of the Bill is a prohibition upon premiums for articles of clerkship and the assumption by the Board of disciplinary powers over registered accountants (in addition to the retention by the accountancy bodies of their own disciplinary powers).

ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL ESTABLISHED 1889

The Annual Subscription to ACCOUNTANCY *is 17s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 6d., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.*

Organisation of the Inland Revenue

AT A TIME WHEN JOHN BULL, CITIZEN, hands some 14 per cent. of his income to the tax gatherer, and British Enterprise, Ltd., hands to him over 50 per cent. of its profits, small wonder it is that the John Bulls and the British Enterprise, Ltd's. are more alive to the deficiencies than to the virtues of the one person in every 1,000 who spends his working life honourably and conscientiously in a poky back room in the service of the Board of Inland Revenue. Every tax inspector and collector is fated for obloquy, whatever his individual merits. All the more reason, then, why his Department should be most particularly concerned to shield him from undeserved reproach. All the more reason why it should aim, not only at working efficiently and in a spirit of human understanding, but also at avoiding any suspicion of inefficiency or lack of understanding in its dealings with the outside world of taxpayers.

We have recently received the Report of a Committee of the Inland Revenue whose task—if we do not strain too far its terms of reference, "to review the organisation and administrative methods of the Department"—was to suggest ways in which the Inland Revenue could the more effectively aim at the ends we have postulated. The Report is undoubtedly most valuable, as would be expected of any document embodying the results of two years' inquiries by a committee whose members included such authorities as Sir Eric St. J. Bamford—himself the chairman of the Board of Inland Revenue—who presided over the Committee, and Mr. F. R. M. de Paula, C.B.E., F.C.A. It is a unique survey of the organisation and methods of the Inland Revenue, and on the plane of informativeness alone merits careful reading by every professional accountant. We hope that, as is apparently intended, it will be issued for general sale and that, in that event, it will circulate widely in the accountancy profession.

We do not criticise the rather large number of conclusions that are of a negative nature. Those conclusions may be summarised: that the Inspectorate and the Collecting Offices should remain separate; that the division of functions between the secretariat, which makes policy, and the executive branches, which assess and gather in tax, should continue; that the localised basis of tax administration should persist and "regionalisation" should be rejected; that the Inland Revenue is correct in regarding the medium-sized office for the District Inspectorate as being of optimum size. On the first of these points—a very important one—before studying the report we shared what we think is the common view of the accountancy profession, that Inspectorate and Collecting Offices should be combined, but were convinced by the arguments of the Committee.

So far as they go, most of the more important of the positive conclusions also appear unexceptionable. In summary, they are: the training courses for qualified Inspectors of Taxes should be made residential; instructions from Head Office to dispersed units should be supplemented by general "background" information on tax matters; development of costing control in some of the work of the Inland Revenue is desirable; the Department should consider further steps in explaining income tax to the public; it should examine the possibility of de-centralising sur-tax administration; there is a great need of improved accommodation and equipment for local tax offices. But do these recommendations go far enough, even within the limited setting in which, in framing them, the Committee seems to have confined itself? We confess to a rather considerable number of doubts on this score. As merely a few examples, we wonder whether the training courses for Inspectors stress sufficiently the commercial aspects of finance and accounting. We are sure that "education" of the public in tax matters, and the public relations side of the Department's work generally, need to be carried very much further—and the Committee might, it seems to us, have pursued ways and means of doing this. On the de-centralisation of sur-tax, a desirable step, the Committee appears unduly cautious. Most of the minor suggestions of the Committee also give the impression of extreme moderation.

Yet this is not all. The Committee's qualifications and limitations to its positive recommendations detract less from the value of its Report, as a first sketch at a blueprint of a revitalised and "re-humanised" Inland Revenue, than the narrow setting in which it has chosen to work. We find nothing in the Report on the most important problem of recruitment to this over-burdened and under-manned Department. Would it really have been going beyond its purview if the Committee had considered the pressing question of salary grades and terms of employment in the Inland Revenue? The subject of professional education of the Inspectorate—including access to the accountancy qualifications—as opposed to the narrower subject of training in tax techniques and methods, is surely a relevant topic for a Committee of this kind (though even training is only cursorily discussed). What is there to be learned from the organisation of the Taxation Departments in the U.S.A., Canada and Scandinavia? Perhaps most important of all, how can the Inland Revenue adapt itself to continuous change in tax laws and to dynamic economic conditions? The Committee, it appears to us, makes a signal error when it assumes that in matters of taxation things fairly soon will settle down to "normality." On the contrary, the main problem of the Inland Revenue, it seems to us, will be to cope with ever-increasing pressure, springing from the legislature on the one hand, and from the greater complexities of business and economic life on the other hand.

Work Simplification

[CONTRIBUTED]

THE QUESTION IS FREQUENTLY ASKED: "How can you close your voucher record in sufficient time to permit the preparation of your financial statements by the tenth of the month?" An answer recently given was: "We do not wait until the end of the month to close. We cut off at the twenty-fifth."

What the speaker meant was that in his company all invoices for materials and supplies received after the twenty-fifth of the month are not entered in the month in which they apply, but in the following month's record. The present case study of bills payable is presented in this article for two important reasons. Firstly, it is an illustration of what can be accomplished through a work simplification study. Secondly, it shows the development of an easy method for recording and paying purchase invoices.

THE WORK SIMPLIFICATION STUDY

Industry, through its engineers, scientists, time-study men, and methods men, has spent a great deal of money experimenting and developing ways and means for manufacturing better and cheaper goods. But only recently has management recognized that the same principles of work simplification, standardisation, and specialisation that are applied to the manufacturing process, can and should also be applied to the vast amount of paper work necessary in the modern factory.

RUBBER STAMPS PLACED ON INVOICES

A review was first made of the number of rubber stamps placed on invoices. Placing stamps on invoices not only takes time, but its staccato boom! boom! also creates a nerve-racking disturbance throughout the office. The review brought out that ten stamps were placed on each invoice. The stamps were used to indicate date received, receipt of materials, approval, etc. Approximately 3,000 invoices were received by the company during each four-week period. Translating the ten stamping operations into units of work, 30,000 operations were being performed every period on purchase invoices, a total of 390,000 for the year.

Investigation revealed that invoices were passed promptly, and little or no discount was lost. It was decided, therefore, to discontinue five date stamps. This step saved 15,000 operations each period or 195,000 stampings during the year.

The date that the invoice is received is included on one stamp, so that no extra operation is involved in showing that date. The date that the material is received and the date that the invoice is passed for payment are stamped in the appropriate places. Initials of employees indicate the work done. Final approval for payment is noted by the initials of the purchasing agent or his assistant in the "passed for payment" space.

To sum up, five "in and out" date stamps were eliminated and two others were consolidated and made a part of one stamp—the "invoice received date" and "posted to cost record" stamps. Seven complete stamping operations on each invoice were eliminated. Thus it was possible to save 21,000 operations for the period —273,000 for the year.

FLOW OF PURCHASE INVOICES

As the next step in the simplification programme, a study was made of the flow of purchase invoices through the respective departments. This was accomplished by the preparation of flow charts. This change in routing saved two handlings of each invoice. Again translating that time into units of work, there was a saving of 6,000 operations during each period, or 78,000 for the year.

RECORDING AND PAYING PURCHASE INVOICES

The most important step in the simplification programme was the elimination of the bills payable record. The company's accountant suggested the consolidation of the bills payable with the cash disbursements record. Through the adoption of this plan, the accounting department now prepares an accurate summary of purchases ready for posting to the books of account within three days after the close of the period.

Let us consider some of the facts that prompted the consolidation of the two records. Firstly, a tally of the invoices showed that approximately two-thirds were for raw material purchased and were chargeable to one raw material account in the general ledger. Secondly, 90 per cent. of all invoices had only one account distribution. The remaining 10 per cent. applied to not more than two or three accounts. Thirdly, the majority of the invoices were ten-day bills and had to be paid promptly. Fourthly, if we held our bills payable record open long enough to record every invoice that applied to a period, at least a week or ten days would have elapsed, and the invoices that were listed as accounts payable in the balance sheet would have been paid and filed before we should complete that statement.

THE SIMPLIFIED PLAN

Approved invoices received by the accounts payable clerk are placed in a tub file in due date order, followed by alphabetical arrangement. When they are due for payment, the clerk removes them from the file and obtains a grand total of all those that are to be paid. Discounts earned are, of course, computed and the clerk then begins to write the voucher cheques. Invoices are listed by dates and account numbers shown. When all payments for the day are made, a copy of the cheques is given by the accounts payable clerk to the book-keeper. The book-keeper obtains a daily total of the amounts of the cheques issued, invoices paid, and credits applied, including cash discount. The total of the invoices less the credits and cash discounts must agree with the total of the cheques issued. Likewise, the total of the invoices less the credits applied must agree with the the original grand total of the amount to be paid. Thus the correctness of the cheques issued is proved.

CONCLUSION

The advantages that are to be gained by adopting the foregoing method

of recording purchases invoices are:

1. The method provides an expedient and accurate way of closing the books promptly at the end of each period.

2. There is no detailed accounts payable trial balance to be taken and reconciled with the control account.

3. Only one medium is used for posting to the general books of account. Where the book-keeper formerly posted from both the voucher record and the cash disbursements, he now posts only from the cash disbursements record. Then, too, the small 5 in. × 8½ in. sheet is a handy posting medium.

4. One complete handling of the invoices is done away with by the elimination of the bills payable record. In the case in question it meant the saving of the time that it took to enter in that record dates, names of suppliers, and amounts for at least 3,000 invoices a period, as well as the summarising and balancing of that record.

Goodwill in Accountancy Practices

[CONTRIBUTED]

THE PURPOSE OF THIS ARTICLE IS NOT TO DISCUSS ANY OF the provocative points made in the Practice Notes on Goodwill as a general problem which appeared in the January issue of ACCOUNTANCY (pages 11-12), but to discuss various methods of valuing the goodwill of accountancy practices and to consider the ways in which a purchaser can pay for it, having regard to the present level of taxation. However, there is one point in the Practice Note to which reference should be made. It was stated that the best method of arriving at a goodwill figure is to deduct the value of the assets of the business from a capitalised figure of the reasonable profits yield and to relate the resulting figure to a number of years' purchase of the adjusted profits. But as many practitioners will know, the latter figure may be quite dissimilar from the normal custom of the particular trade or what would normally have been considered a reasonable figure for the business. Again, in some businesses in some circumstances the "yield" basis is impracticable.

Unless there is an agreement in the partnership deed to the contrary, the goodwill of the partnership belongs as common property to the partners. On death, retirement or dissolution each of them, or his personal representative, has the right to receive his share of the goodwill valuation or sale, even though no goodwill had been included in the partnership assets appearing on the balance sheet (see *Hunter* v. *Dowling*). Unless, however, the partnership deed contains specific instructions in regard to the valuation of goodwill, it leaves an inherent problem unsolved—because there is still insufficient experience and information by which one can arrive at, or even suggest, any common or conclusive treatment in the valuation. This is to be expected, since circumstances and conditions vary from one practice to another.

First, what is meant by the term "goodwill"? There are certainly many definitions. L. R. Dicksee states that "when a man pays for goodwill he pays for something which places him in the position of being able to earn more money than he would be able to do by his own unaided efforts." In *Inland Revenue Commissioners* v. *Muller*, Lord Macnaghten described it as "the benefit and advantage of the good name, reputation and connection of a business." P. D. Leake said: "Goodwill in its commercial sense is the present value of the right to receive expected future super-profits." Lord Eldon in *Cruttwell* v. *Lye* (1810) described goodwill as "the probability that customers will resort to the old place," whilst Lord Justice Lindley to describe it used the words "The benefit arising from connection and reputation." On the whole the writer considers that Dicksee's definition comes nearest to crystallising the essential concept, though Lord Eldon's early definition, and indeed those of many other nineteenth-century jurists, are still frequently quoted.

It will be noted that Leake's definition, which is more particularly an economic one, refers specifically to "commercial" goodwill; it might therefore be asked if commercial and professional represent exactly the same thing. It is submitted that they cannot and do not in every aspect and that no definition can be formed which is common to commerce and the professions. Many readers may disagree with this submission—it goes further than the statement in the Practice Note in the January issue, that the *value* of a professional business cannot be compared with that of a trading concern. This is clearly true as far as it goes, but seems to stop short of the full truth. Commercial goodwill, which may arise through patents, trade-marks, licences, advertising, publicity, special patronage, and so on, can be quite independent of personalities. Professional goodwill, on the other hand, cannot exist apart from the individual carrying on the practise. Put another way, when a commercial business is sold, no change being made in its products, the real goodwill can pass from the vendors to the purchasers, but it is never certain—though it is possible—that professional goodwill can be delivered to and held by a

purchaser. On the passing of a business, many of the customers may never know of the change of ownership; they are bound to know when new personalities run a professional practise. Professional goodwill is unpredictable; it tends to remain with its creator. In the opinion of the writer, the goodwill of a professional firm may be described as the confidence placed by clients in the competence of any person who is or will be a member of the firm to carry out professional work without restriction of information.

The valuation of goodwill is complicated by the fact that some partnership agreements exclude it, specifically or unintentionally, whilst others contain definite provisions for dealing with it. There are other forms of agreement in which goodwill is excluded by the partners when dealing *inter se*, but is included when a third party is concerned, as when there is a sale of a part interest or whole interest. Again, there may be provisions whereby different valuations are placed upon goodwill according to the occasion necessitating the valuation—for example, death, retirement, compulsory or voluntary dissolution.

Some members of the accountancy profession contend that goodwill as such cannot exist in an accountant's practice, that its intangibility defies measurement. Many arguments could be given for and against inclusion of goodwill as a partnership asset. It is here contended that where the partners have built up a practice in which the name of the firm inspires confidence in its clients, their efforts must be represented by a definable value so long as the partners on retirement or resignation cannot compete against the firm. The value will, in effect, represent the security of an established name, built up through personal exertion, endeavour and character. Though it is often contended that goodwill "retires" with the retirement of its creator, there may well remain the benefit of introduction to clients.

FACTORS TO BE CONSIDERED WHEN VALUING GOODWILL

As a guiding principle when valuing goodwill, one should remember that though past events may serve as a guide, an attempt must be made to foresee the future. If past profits act as a standard, they should be adjusted for the circumstances of the future, which may be different from those of the past.

The following are some detailed points for consideration (assuming no express agreement regarding valuation in the partnership deed) when a sale or purchase of a practice is being considered:

(*a*) What is the personality of the incoming and outgoing partner(s)? Has the practice been built up and "held together" by the ability and personage of an individual? It must be remembered that a client will often continue his association with a firm only as long as certain individuals are connected with it. Where there is a change of ownership in the firm, the client may feel that he is now released from any obligations and he may have other friends and associates to whom he would rather give his work.

While an outgoing partner with a dominating personality may personify much of the goodwill, an incoming partner may also have established himself elsewhere, not necessarily in practice. In this event, his payment for goodwill should tend to be reduced. Again, when an employee is admitted to partnership, he may have been with the firm a number of years and may already be on intimate terms with many clients; the risk of their transferring any business is thereby reduced. In effect, the employee already represents a part of the goodwill of the firm.

(*b*) Will the outgoing partner maintain any connection with the practice? If he is retiring, will he introduce any business to the firm? Will he be able to undertake work on his own account? If he is not restrained from competing with the new practice, the value of the goodwill of the old practice is considerably reduced. His position in this respect requires careful consideration. It is, of course, always preferable to have a definite agreement restraining a vendor from competing against the firm rather than to rely upon the general protection of the law. It may be that an outgoing partner has obtained a considerable amount of business through personal contacts, official appointments, long-standing family connections, membership of clubs, etc., which will not now be available to the remaining partners.

(*c*) What is the nature of the fees receivable? This revolves largely round the question whether they are mainly recurring or non-recurring. For this purpose it may be useful to analyse fees into those received from audits of limited companies, audits of partnership and sole traders, income tax, investigations, trust accounts and executorship work, accountancy work and so on. One also has to consider whether the bulk of the fees is received from a few large audits or an extensive number of small ones, the loss of an audit in the latter case being obviously less damaging. On the other hand, the profit margin is often greater on a large audit, if more junior staff can be employed on it and if it thus absorbs proportionately less time of the senior clerks and partners. In addition, the mortality of large audits is usually less than that of the smaller audits. Some of the work may have resulted from the specialist knowledge of one of the partners, whose loss might be most harmful. This specialisation particularly applies to the taxation and investigation work of a practice. On the other hand, other forms of specialist work undertaken in the past may suddenly cease as a source of revenue through, for example, complete or part nationalisation of an industry.

(*d*) Where is the office situated? Is it in a locality where business has been and will be developing? Is there generally a good class of clientele, who may bring in further business? Is competition keen? (One must bear in mind the increasing number of accountants wishing to go into practice following the large post-war admission to membership by the main accountancy bodies).

(*e*) What trend is revealed by an examination of the profit figures for the last fifteen years? It is necessary to be wary of figures for the war years during which many firms undertook specialised non-recurring work; some

firms, of course, through shortage of staff were unable to take in work which would normally have formed part of the " casual fees " which most practices earn from year to year.

(*f*) What is the present state of the practice? [Some of the purchaser's time may not be chargeable to clients after the transfer, particularly if there are heavy arrears of work.]

(*g*) What is the part played by partners in professional and public activities and what is their seniority in the profession?

(*h*) In particular circumstances, the question of the tenure of the premises might have to be taken into account.

Readers will undoubtedly think of further points which can be considered.

A non-practising accountant wishing to purchase a practice or join an existing practice as a partner should consider the following points:

(*a*) The capital required to set up on his own, compared with the purchase price of the practice. Regard must be had to the smaller effort likely to be required in working in an established practice and the cost of a likely period of non-profitable practising in working on his own.

(*b*) The probable return on his capital in the two cases.

(*c*) The likely maximum amount receivable from the practice compared to the probable maximum working for someone else, either in practice or in a commercial position.

(*d*) The indirect gain obtained from the position as a partner, professionally, publicly or privately.

(*e*) If he has other income, his position in relation to income tax and sur-tax.

METHODS OF ARRIVING AT A GOODWILL VALUATION

The following appear to be the methods of valuation most frequently met with in practice:

(1) Two to three years' purchase of the net profits as averaged for five to ten years. Three years' purchase would appear reasonable if the existing partners remain and there is a large stable clientele. Whether partners' remuneration is charged against the gross profit depends to some degree upon the extent of work carried out and to be carried out by the partners. As regards the period over which profits should be averaged, under normal conditions the longer a practice has been established the smaller the period required to produce a fair average annual net profit.

(2) A modification of the above method is occasionally employed, whereby the average annual " super-profits " are used as the basis, instead of the net profits, that is to say, in addition to normal firm expenses and salaries of working partners (estimated as necessary) a fair return upon the partners' employed capital is deducted from fees receivable.

(3) One, two or even three years' purchase of the gross fees.

(4) One to three years' purchase of the gross fees, excluding all non-recurring items.

(5) A percentage of the gross fees on a reducing scale for three to five years following the sale of the practice.

(6) Goodwill is valued by one of the methods described above both on the admission and on the death or retirement of a partner. His share of goodwill is taken as his profit-sharing ratio of the difference between the two valuations.

(7) Fees from work solely attributable to or originating from one partner are segregated from other fees and averaged over a period of five to ten years. The partner's share is taken as two to three years' purchase of those fees.

(8) A sum is fixed by an independent party following an examination of all the circumstances. There may also be an agreement to go to arbitration.

(9) In a few cases a sum is fixed at the inception of the partnership; there may be provisions for periodically reviewing the sum. Sometimes, different amounts may be fixed for each partner.

The writer, who suggests that a single fixed payment can never represent the true nature of goodwill, considers that where a practice is being sold, method five has the greatest merits. It is fair to the purchaser because he does not pay for work not renewed; the vendor, on the other hand, gains from any additional business which his successor is able to obtain. The disadvantages to the vendor are threefold; the payments made to him may be taxable in his hands (though compare *C.I.R.* v. *Ramsay*); he would suffer from any mismanagement by the purchaser and he is also in the position of a deferred creditor.

Method seven presents obvious difficulties because there are certain to be a number of marginal cases in which it is difficult to decide to whom the fees " belong." Method three might result in a very high goodwill valuation where gross fees are considerable and it might be difficult for such a sum to be found either by the existing partners or by a prospective partner or purchaser.

PAYING FOR GOODWILL

As a broad division, methods by which goodwill is paid for can be classified as single and multiple. In pre-war days, it is probably true to say that goodwill was normally paid for in one single lump-sum payment. In present times, the trend is to arrange for the payment of goodwill over a period of time. One should perhaps add that there must be many practices which have admitted to partnerships promising young accountants without any payment being made for goodwill at any time. A regrettable fact, which must be faced, is that in many instances, admission to partnership on such terms was the only way such members could be retained in the profession.

The arrangements frequently made are that the liability will be extinguished over a period of five to ten years, interest being payable on the yearly balance. The amounts repayable each year may be fixed or may vary according to the annual profits; this, however, may be governed by the taxation aspect of goodwill sale and purchase.

Life assurance appears with increasing frequency in professional partnership arrangements. Often, life assurance policies are taken out on each partner for a fixed sum payable to beneficiaries nominated by the partner. Similarly, separate endowment policies may be taken out

which will more particularly meet the case of retiring partners. Equally, of course, joint life or endowment assurance policies may be taken out on the lives of the partners. In these cases, premiums are paid by the firm and charged as an expense, and a sum is then available for the payment of goodwill when required.

Another frequent form of agreement provides that when a partner dies or retires goodwill may be repaid by means of an annuity, either for the life of the partner or his dependant or for a fixed period. Included in the terms of reference of the second Millard Tucker Committee is the desirability of extending income tax relief relating to retirement benefits to individuals carrying on a profession or business. If there is legislation giving some relief, it may indirectly alleviate the problem of selling and purchasing professional goodwill, provided the retirement benefit can be bought out of gross income ; if such a sum is available on retirement, the need of a retiring practitioner for immediate payment is not so acute.

GOODWILL ON THE DISSOLUTION OF A PARTNERSHIP

What happens to goodwill on the dissolution of a partnership, when the partners intend to continue the practice independently? Since the goodwill is bound up with the partners and the clientele, and since in this case the personal position of the partners is not directly relevant, on dissolution the main question is the distribution of the clients amongst the partners.

It is suggested that the most satisfactory arrangement is to apportion either according to the partner most preferred by the client (the ascertainment of this could be done through a solicitor's letter if it cannot be mutually agreed) or according to the partner responsble for the introduction of the client to the firm. If it is not possible to allocate some clients by these methods, it is suggested that the goodwill attaching to the connection with them should be valued at one or two years' average fee and then included with other partnership assets.

Points in Practice

A TRUE AND FAIR PERSPECTIVE

With much truth it has been said that the British make changes but slowly. One of the customs which seems still to keep its popularity of former days is the fashion of ending the business year on a calendar anniversary, usually December 31 or the end of one of the other quarters.

Admittedly there is sometimes a tax advantage in selecting a closing date for the first years of a business early in April, but even so there is no need to adhere rigidly to this date for the remainder of the life of the business.

The purpose of these Notes is to try to show the benefits from closing the books of account on a date contemporaneous with the end of the natural trading year of the business.

By " natural trading year " of the business is meant the period of twelve consecutive months ending when the trading activities of the company reach their lowest point each year. Almost every business has a trading cycle, for few are free from all seasonal influences. For example, the natural year-end of the malting trade would be about June 30. By then malsters have made delivery of the greater part of the grain processed into malt, which was bought for the brewers during the previous autumn, and the new harvest will not be bought and delivery taken of it until mid-July onwards. At June 30, therefore, the malsters will be carrying the minimum amount of stock, and the financial position as shown in the accounts should be at its most liquid. (These points are dealt with in greater detail later in these Notes.)

It should be borne in mind that public services are not exempt, in spite of their mammoth proportions, from the effects of seasonal fluctuations.

Benefits of Natural Year-End

There can be no doubt that a set of accounts giving the results of one natural trading cycle is more informative than a set whose results refer to portions of two different trading cycles. From the former there is available to management a quantitative assessment of what might be termed " one unit of trading policy." The figures will attract criticism or approval of the policy of the past, and will assist management to reformulate policy for the next complete trade cycle.

It should be much easier to prepare the accounts at the end of the natural business year than at any other date. The stock should be at its lowest figure, thus greatly facilitating the preparation of the stock sheets, the actual physical taking of stock, and (last but not least) the ascertainment and valuation of work-in-progress. Debtors and creditors will in all probability be at a minimum and the business should therefore be in its most liquid position.

From the foregoing, it is apparent that the balance sheet and profit and loss account will present to the members the most favourable—and also, it is suggested, the truest—position of the business. In producing answers to the questions which are normally asked if the business seeks a l oan, such a set of accounts would be of greater value than

a set prepared at what might well be the height of the trading season, when the figures would possibly be distorted by temporary loans for seasonal trading, or would perhaps show debtor and creditor ratios out of their true perspective.

A further point in favour of the natural year-end is the availability of staff. If the books are being closed at the slackest period of trading, the staff, being less busy than at other times, are more readily available for the unavoidable extra work occasioned by closing the books. Apart from the economies derived from avoidance or reduction of overtime, the danger of error is lessened, for an increase in the normal working day usually inflates the error margin.

In certain trades another relevant factor is the degree of estimation which must enter into certain items of the accounts. Obviously estimation should be kept to a minimum, but where the business carries stock with a widely fluctuating public appeal or a high degree of obsolescence, the valuation of the stock is both difficult and inexact. The smaller the stock, the less the degree of estimation. The same consideration applies to contract work and other items which are commonly estimated.

Definition of Natural Year-end

Assuming that it has been decided to select or change to the natural year-end, it will be necessary to determine exactly what is this date. Unless it is self-evident, as in a seaside hotel, the best method is by survey and analysis. If the business has been in existence for a number of years, a statement should be prepared analysing, over a period and month by month, the totals of sales, production, stock, debtors, creditors and work-in-progress. This will throw into sharp relief the trend of the aggregate activities of the business, and the natural year-end should be taken at the point when those activities are at their nadir. If there is a trade association, it will undoubtedly give helpful information and advice on points of this kind. Indeed, if the business is just starting, the trade association will probably be the main source of guidance, apart from the knowledge and experience of the proprietors.

The Position of the Auditor

There can be little doubt that the average firm of auditors would welcome a breakaway from the calendar year-end as the prevalent balance sheet date. The number of auditing firms which are so specialised in any particular trade that they would be inconvenienced if the majority of their clients selected the same date as their natural year-end must be very small.

With clients in different trades choosing different closing dates over the whole twelve months, the auditor could spread his work, not only to his own advantage, but ultimately to the advantage of his clients. The present bunching of audits at calendar year-ends brings with it the evils of temporary staff, overtime, and delay in the completion of accounts.

Is there, indeed, any reason why the auditing profession should not become the chief protagonist of " The Natural Year-End Movement " ?

The Tax Position

Unfortunately, there is one particularly irksome complication in the change of the accounting date—the income tax repercussions. As in other financial matters, careful thought must be given to the powers of the gentlemen of the Inland Revenue, and what they are likely to do if a business by its own actions alters its basis of assessment.

Nevertheless, the alteration of an accounting date will not automatically bring dire tax consequences in its train : it may, indeed, be followed by tax benefits. If a set of accounts is to form the basis of assessment for a year of assessment it must satisfy four main conditions, namely :

(1) It must end in the previous year of assessment.
(2) It must be the only accounts ending in that year.
(3) It must be a set of accounts for a period of twelve months.
(4) It must have commenced when the business commenced or on the day following the account constituting the basis of the previous year's assessment.

If any one of these conditions is not satisfied—and obviously the change in the accounting date will violate one of them — then the Commissioners of Inland Revenue *shall* choose a date in the previous year to which a set of accounts shall be built up (by splitting actual accounting periods) and they *may* then adjust the previous year's assessment to a corresponding basis.

Such adjustments of assessments can result—though, as indicated, they need not necessarily result—in increased liability to tax and whether or not the increased liability will emerge must be investigated thoroughly when considering a possible change to the natural year-end.

It should be remarked that even if the reassessments led to an increased liability to tax, the Inland Revenue have adopted a system of averaging which goes a long way towards eliminating any possible unfairness to the taxpayer. As these points were fully illustrated in the Student's Tax Columns of ACCOUNTANCY in the issue of January, 1951 (pages 25-26), it is not proposed to examine them further here.

Life Assurance Premiums

The following are useful reminders :

An assurance effected by two directors on their joint lives is not an assurance made by one of them for the purposes of Section 32 (i) (*a*), Income Tax Act, 1918 (*Wilson* v. *Simpson* (10 T.C., 753)).

Allowance can only be made for premiums paid in cash ; advances on bonuses by the insurance company cannot be included (*Hunter* v. *Attorney-General* (5 T.C., 13) ; *Watkins* v. *Jones* (14 T.C., 94) ; *Rex* v. *Special Commissioners* (17 T.C., 362)).

The restriction of each premium to 7 per cent. of the sum insured is based on the actual sum assured, excluding (*a*) sums payable on the happening of any contingency other than death (this does not prejudice endowment assurances, as the sum is payable on death in the meantime), (*b*) the value of any premiums agreed to be returned, or of any benefit by way of bonus (Section 32 (3) (*c*)).

The restriction of total premiums to one-sixth of the total income means " of the statutory total income," i.e. after deduction of annual payments (Section 32 (3) (*a*) ; *Smith* v. *Eden* (19 T.C., 110)).

On Giving Tax Advice and Other Homely Problems*—II

By H. A. R. J. WILSON, F.C.A., F.S.A.A.

10. Sur-tax and Dividends

At times, we find that hardship could ensue because of a "bad" year between good ones, so that a dividend has had to be "passed" or drastically reduced. What do we advise?

If the persons involved are all directors, the income can, of course, be kept steady by means of directors' fees. Here, I have been surprised at how many business men do not realise that a company can "date back" directors' fees, e.g., a bonus to directors voted at the general meeting held in, say, September, 1950, expressed to be for the year ended March 31, 1950, is assessable on the directors under Schedule "E" for 1949-50 and is allowable as a deduction from the company's profits for the year ended March 31, 1950.

In many instances, however, all the shareholders involved in sur-tax will not be directors. Their incomes can be levelled out by means of declarations of dividends for two or more years, e.g., if at the annual general meeting held as above, the company declares dividends for the two years ended March 31, 1950, the shareholders can invoke the relief given by Section 34, Finance Act, 1927, to have the sur-tax charged, in effect, for the years the dividends were accruing (having regard to the periods stated in the declaration), provided the effect of the two or more dividends in the one year would be to increase the sur-tax for that year by over 5 per cent. of the sur-tax payable (on total income) were only one year's income brought into total income.

11. Change of Date of Accounts

This is a question that frequently arises, and its tax implications are important. I have peculiarly in mind a case of a

* A paper given at the Incorporated Accountants,' Course, Balliol College, Oxford on September 15, 1950. The first part appeared in our March issue, pages 96-103.

EXAMPLE (6)

Partnership

"A" and "B" were equal partners until August 1, 1949, when they admitted their managing clerk "C." From that date, profits were divided. Interest on Capital (per annum): "A," £450; "B," £300; "C" £150. Salaries (per annum): "B," £600; "C," £1,000. Balance in the ratio of 1 : 2 : 2.

"C's" salary as an employee (£1,500 per annum) was, of course, allowable as a deduction in arriving at profits up to August 1, 1949; no adjustment on that account arises on his becoming a partner. The firm owned its business premises, N.A.V. £400, and received dividends of £165 per annum, net. Its annual payments were £500 per annum (gross amount) in 1949-50 and £1,200 in 1950-51. "A" became a sleeping partner on April 1, 1950.

1949-50.			*Partnership Assessment*	*Allocation*	"A"	"B"	"C"
Profits, year to December 31, 1948			£5,700				
Less Capital allowances, 1949-50 ..			900				
			£4,800				
To: 1/8/49		£1,600			£800	£800	
From:							
1/8/49	£600			Interest	300	200	£100
(8 months) ..	1,067			Salary		400	667
	1,533			Balance	307	613	613
		3,200		1 : 2 : 2			
		£4,800			£1,407	£2,013	£1,380

*Allowances**		"A"	"B"	"C"
National Insurance	£47	£21	£16	£10
Earned	952	278	400	274
Personal	410	110	180	120
Children	140	60	—	80
Life Assurance	90	40	10	40
Housekeeper	50	50	—	—
	1,689	559	606	524
	£3,111	£848	£1,407	£856

			"A"		"B"		"C"	
at 3/-:	£134 ..	£20 2 0	(£50)	£7 10 0	(£50)	£7 10 0	(£34)	£5 2 0
at 6/-:	533 ..	159 18 0	(200)	60 0 0	(200)	60 0 0	(133)	39 18 0
at 9/-:	2,444 ..	1,099 16 0	(598)	269 2 0	(1,157)	520 13 0	(689)	310 1 0
Sch. "D" Tax ..		£1,279 16 0		£336 12 0		£588 3 0		£355 1 0
Sch. "A"—								
£400 at 9/-	£180							
Dividend—								
300 at 9/-	135							
	£315							
Less Annual charges—			to 1/8/49	15 0 0		15 0 0		
£500 at 9/-	£225	90 0 0	from 1/8/49	12 0 0		24 0 0		24 0 0
Tax borne ..		£1,369 16 0		£363 12 0		£627 3 0		£379 1 0

* *See "C's" Schedule "E" Assessment*

seasonal business where all the profit is made in a few months in the autumn. An eighteen months' account to June 30, 1947, brought that number of months' expenses against one lot of income. Apportioned on a time basis, there were E.P.T. and P.T. advantages. It was fortuitous to a point, as the business was being transferred to a company, and June 30, 1947, was the transfer date. There were no income tax repercussions, as the profits had been steadied by the E.P.T. charges and the "cessation" rules made it a case where no averaging could be applied.

The new date is awkward, however, as accounts have to be prepared in the busiest part of the year, causing trouble and delay. But it is not so easy to go back, as there would be only six months' expenses against a year's income. It is true that the Revenue practice of averaging over the years involved tends to give rough justice, but each case must be worked out carefully before advising a change of date; particularly as the Revenue circular mentions that with marked seasonal fluctuations it may be necessary to modify the average adjustment so that the assessments reflect a true annual rate of profit and not a rate that is inflated or depressed by seasonal results.

Having regard to the favourable results to the taxpayer of the eighteen months account on the cessation as sole trader, it may be wise to await a bad season for the next change! I am not dealing here with the Revenue's averaging method, as it has been given so much publicity in recent years (though I think I was the only writer to give it space years ago).

12. Partnerships

Many problems arise from failure to appreciate that the taxation of a partnership is an example of taxation at source. The profits of the *business* are assessed under Schedule D, Case I or Case II as may be appropriate. The assessment on the business will be the same amount, whether the proprietorship is that of a company, an individual or a partnership (excepting, of course, that the remuneration of directors is allowable as a deduction while that of individuals is not).

Provided the profits are computed

The Schedule "E" assessment on "C" for 1949-50 was as follows :—

Salary to August 1, 1949			£500
Expenses agreed		£50	
National Insurance		5	
E.I.A.		89	
P.A.	£180		
Children	120		
Life Assurance	60		
Portion of	£360	120	264
			£236

£16 at 3/-	£2 8 0
67 at 6/-	20 2 0
153 at 9/-	68 17 0
£236	£91 7 0

P.A.Y.E. deductions were £91 6 0.

1950-51	Part-nership Asst.		Allocation "A"	"B"	"C"
		Interest	£450	£300	£150
Profits, year to December 31, 1949	£6,500	Salary		600	1,000
Capital allowances	1,500	Balance	500	1,000	1,000
		1 : 2 : 2			
	£5,000		£950	£1,900	£2,150

Other Income :		"A"	"B"	"C"
N.A.V.	£400			
Dividends	300			
	£700			
Less Charges	1,200			
Excess charges	£500	100	200	200
		£850	£1,700	£1,950

Allowances :								
National Insurance	£44		£12		£19		£13	
Earned	725		—		337		388	
Personal	270		110		180		180	
Children	440		—		60		180	
Life Assurance	110		40		10		60	
Housekeeper	50		50		—		—	
	—	1,639	—	212	—	606	—	821
		£3,361		£638		£1,094		£1,129

		Partnership Asst.		Allocation "A"		"B"		"C"
at 2/6	(£150)	£18 15 0	(£50)	£6 5 0	(£50)	£6 5 0	(£50)	£6 5 0
at 5/-	(600)	150 0 0	(200)	50 0 0	(200)	50 0 0	(200)	50 0 0
at 9/-	(2,611)	1,174 19 0	(388)	174 12 0	(844)	379 16 0	(879)	395 11 0
		£1,343 14 0		£230 17 0		£436 1 0		£451 16 0

Tax on N.A.V. and Dividend	£315 0 0
	£1,658 14 0
Less Recouped from charges £1,200 at 9/-	540 0 0
Tax borne	£1,118 14 0

according to the rules applicable to the accounting period in question, the said profits become the basis of the assessment for the year of assessment for which that accounting period is the basis period, irrespective of what, if any, changes have occurred in the partnership after the end of that accounting period.

A good illustration is where an employee is taken into partnership. His salary as an employee was allowable as a deduction in computing the profits of the last year of his employment. The following year's profits will be before deducting his salary as a partner. The assessment based on the first accounts mentioned is not changed; the accounts were properly adjusted and form the basis of assessment. (I have known people to think that the former employee's salary ought to be added back!)

Once the assessment for a year of assessment is fixed, the capital allowances for that year of assessment must be deducted. Provided the partners have made returns of total income claiming their allowances, effect is then given to these allowances in charging the tax. The tax appropriate to each partner's share of the assessment is then debited to his current account and so deducted from his share of profits.

Although the assessment notice does not show the allocation of the assessment among the partners, each should get a Form 70 or other notice showing how his allowances have been utilised. The firm can do the allocation once the details are known.

It is important to note that the assessment for any year of assessment must be allocated among the partners, not as they divided profits in the basis period, but as they will divide profits during that year of assessment.

It is well to divide the assessment on earned income first. If that is sufficient to absorb all allowances, the tax on it can then be calculated. If it is insufficient, or if the annual charges exceed the unearned income, however, it is well to take the whole income into account. (See Examples (6), (7), (8) and (9).)

The liability for payment of the tax is a partnership one, so that if a partner cannot meet his share, it falls on the other partners.

In each case, the "tax borne" will be the balance on the Income Tax Account after all tax has been paid, and this will be charged out to the partners' current accounts as shown in the "allocation" column net totals.

EXAMPLE (7)

Partnership

Facts clearly shown in the figures.

		Partnership		*Allocation* "A"	"B"	"C"
1950-51						
Previous Year's profits ..		£1,200	Interest	£150	£100	£100
			Salary			400
			Balance 3 : 2 : 1	225	150	75
				£375	£250	£575
Annual payments ..	£1,500		3 : 2 : 1	−750	−500	−250
				−£375	−£250	+£325
Allowances (ignoring National Insurance):						
Earned	£65					
Personal ..	180					
Children (part)	80					
		325				£325
		£875				
Tax at 9/-		£393 15 0				
Gen. Rule 21 Asst. £625 at 9/-..		281 5 0				
		£675 0 0				

All recouped from the annual payments.

Provided the annual payments are laid out wholly and exclusively for the purposes of the trade, "A" and "B" can carry forward £375 and £250, respectively, as losses subject to Section 33, Finance Act, 1926 (Section 19, Finance Act, 1928).

The above example illustrates an uncommon situation, but the result is clear. Some Inspectors might object to "C" having allowances in the circumstances, but it is the only sound way of arriving at the correct position.

A somewhat similar situation arises where there is a small profit or a loss, as shown in the next example.

EXAMPLE (8)

Partnership

			"A"	"B"	"C"	"D"
1949-50						
Assessment	£300	Interest	£150	£150	£100	£100
		Salary			500	600
		Balance 4 : 3 : 2 : 1	−520	−390	−260	−130
			−£370	−£240	+£340	+£570
		$\frac{£340}{£910} \times £300$			£112	
		$\frac{£570}{£910} \times £300$				£188
Allowances:						
Earned .. £61					£23	£38
Personal (part) 239					89	150
	£300				112	188

Can "A" and "B" make any claim for relief for losses? All general principles say No! But it is understood that some bodies of Commissioners will allow such a claim under

It follows that in any year of assessment in which the annual charges of the firm exceed the income from all sources of the firm, there must be a Rule 21 assessment on the firm, despite the fact that the partners may have adequate private income.

Should private charges exceed private income, however, the excess is set against the share of partnership income, just as it is against any other income taxed at source.

The Court of Appeal has just decided in *Reynolds and Gibson* v. *Crompton* (210 L.T. 53) that where on a partnership change, election was made under Rule 11, Cases I and II, (as amended by Section 32, Finance Act, 1926) for assessment as a discontinued and new business, and a debt had been acquired from the old firm at a written down value (the bad debt reserve having been allowed when made) the profit made when the debt was recovered in full was a profit, not in the course of carrying on a trade, but from the purchase of a capital asset which subsequently appreciated in value, and therefore a capital receipt. The judgments are worth studying.

No note on partnership would be complete without a note of *Osler* v. *Hall & Co.* (17 T.C. 68) where it is made clear that a claim under Rule 11 can only affect the partnerships actually making the claim, i.e., if there are successive partnership changes, and on one no claim is made, but on the second a claim is made, any "penultimate year" increase in assessment cannot affect the first partnership. (See Example (10).)

13. Compensation for Loss of Office

Ways of getting money as capital are always attractive, particularly if they involve a revenue payment on the other side. Now that restrictive covenants are caught in the net by the Finance Act, 1950, more attention is thrown on compensation for loss of office.

In this line of country, we start with salary in lieu of notice, which is admitted as not taxable.

Then we go into a much more difficult line of country, where everything depends on the facts. Space does not permit a full exposition on this Section 34 of the 1918 Act, against private income. Such a "loss" cannot be carried forward or used under Rule 13 of the Rules of Schedule D, Cases I and II.

EXAMPLE (9)

Partnership of Husband and Wife

1950-51		*Partnership*			*Husband*			*Wife*
Assessment..		£3,300			£1,300			£2,000
Agreed division :								
E.I.A.	£400			£260			£140	
P.A.	290			180			110	
Children	240			240			—	
Life Assurance	80			80			—	
	—	1,010		—	760		—	250
		£2,290			£540			£1,750
£100 at 2/6		£12 10 0	(£50)		£6 5 0	£50))		£6 5 0
£400 at 5/-		100 0 0	(200)		50 0 0	(200)		50 0 0
£1,790 at 9/-		805 10 0	(290)		130 10 0	(1,500)		675 0 0
		£918 0 0			£186 15 0			£731 5 0

It should be seen that, while, as already stated, the new provisions in the Finance Act, 1950, regarding liability of husbands do not affect Rule 10, Cases I and II, which requires partnership income to be assessed in one sum on the firm, the wife could claim separate assessment, in which event the allowances would be shared according to the rules already exemplified, thus altering the allocation of the tax between husband and wife without altering the firm's liability for the total tax, which would be unchanged.

EXAMPLE (10)

Partnership

(i) "A" and "B" admitted "C" as a partner on February 1, 1949. "A" retired on May 1, 1949. The profits were as follows (year ended April 30): 1946, £10,000; 1947, £13,000; 1948, £12,000; 1949, £42,000; 1950, £18,000.

Assessments :

(*a*) If no claims made :—

1947-48. £10,000 on "A" and "B".

1948-49. £13,000, divided under Rule 9, Cases I and II :—

"A" and "B" $9\frac{5}{6}$ months .. £10,653

"A," "B" and "C" $2\frac{1}{6}$ months £2,347

1949-50. £12,000, divided under Rule 9, Cases I and II :—

"A," "B" and "C" $2\frac{5}{6}$ months £833

"B" and "C" $11\frac{1}{6}$ months .. £11,167

1950-51. £42,000 on "B" and "C".

1951-52. £18,000 on "B" and "C".

(*b*) If claims made on both changes :—

1947-48. "A" and "B": £10,000, increased to—

$$\frac{\frac{5}{6}}{12} \times \pounds13{,}000 + \frac{11\frac{1}{6}}{12} \times \pounds12{,}000 = \pounds12{,}070$$

1948-49. "A" and "B":

$$\frac{\frac{5}{6}}{12} \times \pounds12{,}000 + \frac{9}{12} \times \pounds42{,}000 = \pounds32{,}333$$

"A," "B" and "C": $\frac{2\frac{1}{6}}{12} \times \pounds42{,}000 = \pounds7{,}583$

1949-50. "A," "B" and "C": $\frac{\frac{5}{6}}{12} \times \pounds42{,}000 = \pounds2{,}917$

"B" and "C" $\frac{11\frac{1}{6}}{12} \times \pounds18{,}000 = \pounds16{,}750$

1950-51. "B" and "C" $= \pounds18{,}000$

1951-52. $= \pounds18{,}000$

subject, but the following are points it is essential to bear in mind.

(*a*) It does not matter what the parties call the money, if one finds that the only consideration for the payment by the company of that sum is the service by the director, and is a sum for which he must be deemed to have stipulated when offering his services to the company, and that it is paid to him by reason of his having performed these services. (Per Romer, L.J., in *Henry* v. *Foster*; 10 A.T.C. at p. 229).

(*b*) Compensation for loss of office means a payment for being deprived of profits to which as between himself and his employer he would, but for an act of deprivation by his employer or some third party, have been entitled (*ibid.*, at p. 229).

(*c*) As a result of the above, payments made on death or resignation, etc., of office as a result of a provision in Articles of Association or a service agreement, are not compensation for loss of office; they are part of the reward for the services performed in the office. The recipient took the office on the express terms that he would get a reward of so much while working and a deferred amount when he ceased working (*ibid.*, 222, 226). The substance is that in such a case, if the company does not pay, executors of a deceased director could enforce payment—that is not compensation.

(*d*) On the other hand, if there is such a term in a contract or implied contract (e.g., in Articles of Association), and the director is paid a sum of money to give up his potential *future* claims thereunder, that is not, at present, income of the director (*Dewhurst* v. *Hunter*; 11 A.T.C. 135).

(*e*) A payment to get rid of a director who is no longer *persona grata* to the company may come under either heading; it depends on whether or not there is a provision in his contract or implied contract. In either case, however, as in all the instances

(*c*) If claim made on second change only :—

1947-48. As in (*a*).
1948-49. "A" and "B" as in (*a*); "A," "B" and "C" as in (*b*) the portion of the assessment allocated to them is increased to :

$$\frac{2\frac{1}{6}}{12} \times £42{,}000 = £7{,}583$$

1949-50. As in (*b*).
1950-51 and 1951-52. As in (*b*).

Comparison Summarised :

		(*a*)	(*b*)	(*c*)
1947-48.	"A" and "B"	£10,000	£12,070	£10,000
1948-49.	"A" and "B"	10,653	32,333	10,653
	"A," "B" and "C"	2,347	7,583	7,583
1949-50.	"A," "B" and "C"	833	2,917	2,917
	"B" and "C"	11,167	16,750	16,750
1950-51.	"B" and "C"	42,000	18,000	18,000
1951-52.	"B" and "C"	18,000	18,000	18,000
		£95,000	£107,653	£83,903

(ii) The "saving" under the *Osler* v. *Hull* position can be greater still.

Profit year to April 30: 1946, £14,000; 1947, £16,000; 1948, £40,000; 1949, £18,000; 1950, £20,000. "A" and "B" admitted "C" on May 1, 1948; "A" retired April 30, 1949. (For simplicity, I ignore fractions of months.)

(*a*) *No claims :*

1947-48.	"A" and "B"		= £14,000
1948-49.	"A" and "B"	$\frac{1}{12} \times £16{,}000$	= £1,333
	"A," "B" and "C"	$\frac{11}{12} \times £16{,}000$	= £14,667
1949-50.	"A," "B" and "C"	$\frac{1}{12} \times £40{,}000$	= £3,333
	"B" and "C"	$\frac{11}{12} \times £40{,}000$	= £36,667
1950-51.	"B" and "C"		= £18,000
1951-52.	"B" and "C"		= £20,000
			£108,000

(*b*) *All claims :*

1947-48.	"A" and "B"	$\frac{1}{12} \times £16{,}000 + \frac{11}{12} \times £40{,}000$	= £38,000
1948-49.	"A" and "B"	$\frac{1}{12} \times £40{,}000$	= 3,333
	"A," "B" and "C"	$\frac{11}{12} \times £18{,}000$	= 16,500
1949-50.	"A," "B" and "C"	$\frac{1}{12} \times £18{,}000$	= 1,500
	"B" and "C"	$\frac{11}{12} \times £20{,}000$	= 18,333
1950-51.	"B" and "C"		= 20,000
1951-52.	"B" and "C"		= 20,000
			£117,666

(*c*) *Claim on second change only :*

1947-48.	"A" and "B"		= £14,000
1948-49.	"A" and "B"	$\frac{1}{12} \times £16{,}000$	= 1,333
	"A," "B" and "C"	increased to $\frac{11}{12} \times £18{,}000$	= 16,500
1949-50.	"A," "B" and "C"	$\frac{1}{12} \times £18{,}000$	= 1,500
	"B" and "C"	$\frac{11}{12} \times £20{,}000$	= 18,333
1950-51.	"B" and "C"		= 20,000
1951-52.	"B" and "C"		= 20,000
			£91,666

mentioned above, the payment would be an allowable expense of the company (*cf. Mitchell* v. *Noble*; 6 A.T.C. 159).

(*f*) If the taxpayer surrenders no rights but merely gets that to which his contract entitles him (as already mentioned) it has recently been re-affirmed in *Dale* v. *de Soissons* (1950, T.R. 73) that the so-called "compensation" provided in the contract is taxable in his hands. "It would generally be *ultra vires* a company to pay compensation for loss of office where the rights of the employee were not being injuriously affected" (*Roxburgh J., ibid.*, p. 75). This must be contrasted with *Henley* v. *Murray* (1950, T.R. 25) where the payment was made as consideration for giving up the right to continue in the employment and receive the remuneration.

(*g*) A payment to a director for withdrawing his resignation is paid as an inducement to continue to serve and is liable to tax on his hand (*Prendergast* v. *Cameron*; 19 A.T.C. 69).

(*h*) As a general observation, I think great care is necessary in advising on any such payment. If the amount involved is at all substantial, then it is well to have the procedure approved by counsel. Recent experience with restrictive covenants indicates that if compensation gets "out of hand" it will attract legislation to make it liable to tax.

14. "Free of Tax" Annuities

While any attempt to provide for an annual payment "free of tax" can only avoid General Rule 23 by being expressed as "such a sum as after deduction of tax at the standard rate will amount to" the desired amount, there is no bar on a free of tax payment under a will. The *re Pettit* ([1922], 2 Ch. 765) rule is well known, namely, that in such a case, the testator is supposed to have wished the annuitant to have a clear amount equal to the free of tax payment, no more and no less. The proportion of tax recoverable on the annuitant's allowances (other, it is thought,

EXAMPLE (11)

Re Pettit and re Reckitt

Death in 1948. Income apparent from the computation.

1948-49.	Annuity "free of tax"	£2,000	
	Add to gross $\frac{9}{11}$ths	1,636	
			£3,636
	Annuitant's other income		909
	Total		£4,545
	Allowances : £110 at 9/-		£49 10 0
	50 at 6/-		15 0 0
	200 at 3/-		30 0 0
			£94 10 0

Refund to trustees $\frac{£3{,}636}{£4{,}545} \times £94\ 10\ 0 = £75\ 12\ 0$

Sur-tax due January 1, 1950 (on £4,545) (see below). = £410 2 6

1949-50.	Annuity, as above	£3,636	
	Sur-tax for 1948-49 (i.e., the amount paid in 1949-50), appropriate to the annuity, recoverable from the trustees :		
	$\frac{£3{,}636}{£4{,}545} \times £410\ 2\ 6 = £328$		£328 2 0
	Add Income Tax to gross : 268		
		596	
		£4,232	
	Other income	1,411	
		£5,643	
	Tax on allowances, as above	£94 10 0	
	Refund to trustees : $\frac{£4{,}232}{£5{,}643} \times £94\ 10\ 0$		70 17 6
	Net amount claimed from trustees		£257 4 6

Sur-tax due January 1, 1951 (on £5,643) = £689 6 6

Proportion applicable to annuity $\frac{£4{,}232}{£5{,}643} \times £689\ 6\ 6 = £517$

to be grossed and taken into the 1950-51 *re Pettit* computations.

EXAMPLE (12)

Re Pettit and re Reckitt where Section 25, Finance Act, 1941 applies. Death **before September 3, 1939.**

	Free of tax annuity	£2,000
1942-43.	20/29ths of £2,000	£1,379
	To gross (at 10/- in £)	£1,379
	(Equivalent of £2,000 grossed at 5/6 in £)	£2,758
	Other income (including grossed 1941-42 surtax)	306
		£3,064

than earned income allowance which cannot relate in any way to the annuity) must therefore be handed to the trustees.

As "income tax" includes sur-tax, it has been held that where the annuitant is liable to sur-tax, the proportion of the sur-tax on his total income appropriate to the gross amount of the annuity must be refunded by the trustees to the annuitant (*re Reckitt* [1933], 2 Ch. 144). It has also been held that the annuitant can be forced to claim his allowances (*re Kingcombe* [1936], 1 Ch. 566), and must account to the trustees for the due proportion of post-war credits (under Section 7, Finance Act, 1941) when these are repaid (*re Tatham* [1945] Ch. 34).

The practice was changed by the decision in *C.I.R.* v. *Cook* ([1944-45], 26 T.C. 489) where it was held that the annuity must be grossed at the standard rate for the purposes of the *re Pettit* calculations.

The latest event was the decision in *C.I.R.* v. *Duncanson* ([1949], T.R. 339), where it was held that the sum refunded by the annuitant to the trustees was deductible in computing the annuitant's total income for sur-tax purposes. As a bare trustee "she had no other duty to perform, once she had (the proportion of tax on her allowances), other than the duty to hand it over to (the trustees). . . . In these circumstances, I do not think it correct to say that it was her income at all" (Croom Johnson, J., *ibid.*, at p. 343).

I regret that I have not yet any evidence of the effect of the *Duncanson* decision on the Revenue's attitude towards *re Pettit*. I expect that the case in point will go further. If it remains where it is, I cannot see how there can be two different total incomes and that would take us back to a similar position to that existing before the *Cook* case.

My purpose in mentioning *re Pettit* at all is that I find that there is a general ignorance of how the calculations are made where sur-tax is involved. Accordingly, in Examples (11) and (12), I give illustrations. The second (No. 12) deals with the position where the burden of the post 1938-39 rises in taxation rates is passed on to the annuitant by the operation of Section 25, Finance Act, 1941, a section that can operate most inequitably.

Income Tax on allowances:

1938-39 basis:

P.A. £100 at 5/6	£27 10 0
Reduced rate £135 at 3/10	25 17 6
	£53 7 6

1942-43 basis:

£100 at 10/-	£50 0 0
£165 at 3/6	28 17 6
	£78 17 6

Proportion for annuity:

$$\frac{£2{,}758}{£3{,}064} \times £53\ 7\ 6 = £48\ 0\ 9$$

Re Pettit $$\frac{20}{29} \times £48\ 0\ 9 = £33\ 2\ 8$$

1942-43.	Sur-tax on £3,064, payable January 1, 1944	£116 13 0
	Sur-tax on £3,064 at 1937-38 rates	£68 18 3

Proportion applicable to annuity:

$$\frac{£2{,}758}{£3{,}064} \times £68\ 18\ 3 = £62\ 0\ 5$$

Claimable from trustees:

$$\frac{20}{29} \times £62\ 0\ 5 = £42\ 15\ 5$$

1943-44.	Annuity, as above	£2,758
	Grossed 1942-43 sur-tax recovered	85
		£2,843
	Other income	262
		£3,105

Re Pettit $$\frac{£2{,}843}{£3{,}105} \times £53\ 7\ 6 = £48\ 17\ 6$$

$$\frac{20}{29} \times £48\ 17\ 6 = £33\ 14\ 0$$

and so on.

When we come to 1946-47 onwards, of course, the proportion 20/29ths goes up to 22/29ths.

The principle involved in Section 25 is that the person who provided before the Second World War for a free of tax payment cannot have envisaged taxation at the heights reached. Accordingly, the increase over the pre-war rates should be borne by the recipient of the income. While this theory is sound in its way, it can defeat the obvious intention of the settlor or testator. This is exemplified in a case such as that in Example (12), if the deceased left to his widow £2,000 a year, tax free, and a house for life, while she had a very small income of her own. While up to 1940-41 she had an income of over £2,000 net (her private income would meet the sur-tax) she is left with about £1,500 at a time when the cost of living has gone up.

[*Concluded*]

Taxation Notes

Husband and Wife—Apportionment of Allowances

WHAT IS THE AMOUNT OF "EARNED income" for the purposes of the apportionment of earned income allowances under the Finance Act, 1950? The problem arises where there are annual charges restricting the allowances as a result of Section 17, Income Tax Act, 1918. It is thought that the restriction does not alter the amount of "earned income" as defined by Section 14, Income Tax Act, 1918, and Section 15 (5) Finance Act, 1925. Accordingly in circumstances such as the following, the apportionment takes no cognisance of the annual payment:

Husband		*Wife*	
Salary	£1,000	Case I	£700
House	£50	Loan Int.	£250
	£1,050		£450

Earned income allowance ($\frac{1}{5}$th of £1,500 = £300) should be apportioned in the ratio of 1,000 : 700, i.e. £177 to husband and £123 to wife, and not in the ratio 1,000 : 450.

A more difficult problem arises in the apportionment of the personal, additional personal and child (other than adopted child) allowances. The 1950 Act (Section 31 (2) (*e*)) requires these to be apportioned "in proportion to the amounts of the tax which would have been payable by them respectively if the only personal reliefs allowable had been the reliefs referred to in paragraphs (*a*) and (*b*) of this sub-Section," i.e. as if only earned income or age relief had been given.

What is meant here by "tax payable"? Does it mean "tax to be borne," i.e. are we entitled to take into account tax recouped from annual payments? It is difficult to read this into the word "payable"; the tax payable is surely that which the taxpayer has to disgorge by direct assessment or by deduction at source from his income.

Hitherto, it has been regarded as correct to apportion on the basis of statutory total income, less earned income or age relief, i.e. the annual charges have been deducted. Is this correct? It is if we can use the words "tax payable" as modified by the addition "on statutory total income," but not, it is submitted, otherwise.

Most people appear to think that the modification can be made, because the Finance Act, 1920, and Section 15, Finance Act, 1925, indicate that assessable income is the amount remaining after deducting from total income the earned income or age reliefs, and the other allowances are all deductible from assessable income. (Compare the index to the official copy of the Acts (loose-leaf form)).

That leaves in doubt the meaning of total income, but since the allowances in question are required to be deducted in arriving at "taxable income," it seems clear that the annual charges must have been deducted first. Section 40, Finance Act, 1927, does not alter the principles, save to give allowances in terms of tax.

On the other hand, the "tax payable" on any income is before taking into account any tax recoverable from annual payments. And tax payable under Schedule A is none the less "payable" despite the fact that it may be deductible from rent.

Opinions of readers will be welcomed, bearing in mind that:

(i) The expression "total income" means the total income estimated in accordance with the provisions of the Acts as they apply to income tax at the standard rate (Section 38, Finance Act, 1927);

(ii) In estimating total income under the Acts, any income chargeable with income tax by deduction shall be deemed to be income of the year in which it is receivable and any deductions which are allowable on account of sums payable under deduction of income tax out of the profits of the taxpayer are to be allowed as deductions of the year in respect of which the tax is deductible. (Section 39 *ibid.*)

(iii) In arriving at the amount of profits or gains no deduction shall be made on account of any annual payment from which tax is deductible (Section 209, Income Tax Act, 1918);

(iv) The words "profits or gains" comprise all income except that in respect of property (*See* Section 1 *ibid.*)

The difference is likely to be slight, but the following illustration shows the sort of situation that is in mind:

	Husband	*Wife*
	£	£
Earned	1,500	1,000
Sch. A	50	
	1,550	
Less loan interest ...	150	
	1,400	1,000
Tax payable (subject to allowances):		
Earned	1,500	1,000
E.I.R. 1,500 : 1,000	240	160
	1,260	840
Sch. A	50	
	1,310	
Tax at 9s.	589½	378
Tax deductible at 9s.	67½	
	£522	

Is the apportionment of the allowances in question in the ratio 589½ : 378 or in that of 522 : 378?

We think that the latter is correct (which is the ratio of "assessable income" as used hitherto, i.e. (£1,400 — £240) : (£1,000 — £160)), particularly in view of *Howe* v. *C.I.R.* (7 T.C., 289, 296) and the declarations and statements in Sch. V, para. xvii, Income Tax Act, 1918, the fourth head of which is the income after deduction of annual payments.

"Mills Factories" Allowance

The question is often asked: "When is it desirable not to claim that the Income Tax Act, 1945, shall apply to an industrial building before the last possible appointed day, namely, April 6, 1956?" The answer shortly is: "Where the building attracted a mills factories allowance in 1945-46 (i.e. in the basis period for that year of assessment), is still used for the same purposes, and either the capital expenditure on the building is more than 50 years old, so that no annual allowances are available under the 1945 Act, or the mills factories allowance is more than the annual allowance." In the latter case, of course, the total

allowance is only accelerated, not increased.

Eiusdem Generis

This rule is important in reading Acts of Parliament, and nowhere more so than in the Income Tax Acts. Where there is a word which may have a general meaning other than that which was intended by the Legislature, when it is found associated with other words which show the category within which it is to come, it is cut down and overridden according to the general proposition (*cf. Ystradyfodwg and Pontypridd Main Sewage Board* (5 T.C., at page 241)).

Expenses, Schedule E

The Special Commissioners have taken the view, on appeal, that where the articles of association provide that directors are to be repaid expenses incurred, then (in the absence of any contract of service indicating that the payment of expenses out of remuneration is a necessary feature of their employment) they cannot have any deduction from remuneration for expenses; if the company does not refund expenditure it is *prima facie* not laid out wholly, exclusively and necessarily in earning the emoluments.

Balancing Allowances and Charges

A publication which will be of considerable assistance to accountants, *Aid to Calculating Balancing Allowances*, by D. C. Beaton, C.A. (Publishers, Jordan & Sons, Ltd., London. 2s. 6d. net), has just made its appearance.

This booklet consists of a series of tables constructed to show the balance of a unit of money remaining under the reducing balance method after writing off annual allowances. The tables contain a column for every percentage rate used in the official list and for five-fourths of every such rate.

Initial allowances are not included; these have to be adjusted as explained in the pamphlet. Where the plant or machinery was acquired before 1946, the calculations have to be done in stages. Answers are correct to the nearest £1 for an initial outlay of up to tens of thousands of pounds.

Use of the tables can save much detailed working out of balancing allowances and charges. If the Inspector of Taxes has not a copy of similar tables, however, presumably he will have to work out the detailed calculation to check the result.

Errata

We regret that there were two drafting errors in the March, 1951, issue:

Page 98—Example (2)

Reduced Rate Relief—the last line under "Minimum relief"—should read: £200 at 4/- = £40, making the total £105 15s. and "additional relief to her £2 2s."

Page 99—Example (3)

Sur-tax should read:

£500 at 2/-	= £50	0	0
£88 at 2/6	= 11	0	0
	£61	0	0

$$\text{Husband: } \frac{£1{,}998}{£2{,}588} \times £61 = £47\ \ 1\ \ 11$$

$$\text{Wife: } \frac{£590}{£2{,}588} \times £61 = 13\ \ 18\ \ 1$$

$$£61\ \ 0\ \ 0$$

Recent Tax Case

By **W. B. COWCHER, O.B.E., B.LITT., Barrister-at-Law**

Sur-tax—Settlement on Grandchildren—Capital sum paid to trustee—Trustee a company controlled by settlor—Purchase by trustee of issued share capital of second company of which settlor governing director and substantially sole owner of share capital—Second company one "connected with the settlement"—Payment by second company of sums due by settlor—Debits to his current account with the company—Whether "loans" and so "capital sums deemed to be income of settlor"—Finance Act, 1938, Section 40—Bills of Sale Act (1878), Amendment Act, 1882, Section 8.

C.I.R. *v.* Potts' Executors (House of Lords, December 14, 1950, T.R. 379) was noted in our issues of December, 1948, and March, 1950. The deceased, Mr. G. W. Potts, had followed a course which was very common prior to the anti-avoidance legislation of 1938. He had executed in 1939 a settlement in favour of his grandchildren in the sum of £150,000. The trustee was Carron Trust, Ltd., a company formed in 1936 and wholly owned by him. The settlement fund was applied to the purchase of the issued capital of G. W. Potts, Ltd., of which deceased was sole governing director. The latter company was empowered by its memorandum to make advances to its directors and to act as banker for its customers and others. Deceased had a current account with the company to which were credited amounts due to him as governing director whilst the debits included weekly cash drawings, subscriptions to charities and payments of income tax and sur-tax of very large amounts. The account was in credit at the end of the years 1935 and 1936; at the end of 1937 it was all square, and at the end of 1938 it was again in credit. At the end of 1939, owing to payments of sur-tax on his behalf, the account was in debit to the extent of £8,850. It was again all square at the end of 1940, but upon December 23, 1940, he had paid to the company the sum of £32,570.

It was not disputed that G. W. Potts, Ltd., was a company "connected with the settlement" within Section 40 (3) of Finance Act, 1938, and, Mr. Potts having died, additional assessments to sur-tax were made upon the executors in sums which, after adjustments, were £50,583 for 1939-40 and £5,470 for 1940-41, upon the footing that these sums represented capital sums paid directly or indirectly to the deceased by the trustee of the settlement (which, as mentioned above, owned the whole of the share capital of G. W. Potts, Ltd.), and the sums were therefore to be treated as income of the settlor by virtue of Section 40 of Finance Act, 1938.

The Special Commissioners had confirmed the assessments, holding that the sums paid on behalf of the deceased were by way of loan; Singleton, J., had reversed their decision, holding that no capital sum had been paid to the settlor during the relevant years; but a unanimous Court of Appeal had restored the decisions of the Commissioners. In the House of Lords, by a majority of four to one (Lord Morton of Henryton dissenting), the judgment of the Court of Appeal was reversed. Whilst Lord Morton agreed with the Court of Appeal and the Special Commissioners that the payments were by loan within the Section, the speeches of the majority, whilst reaching the opposite conclusion, revealed differences. Lord Simonds held that "directly or indirectly" had to be read

into Section 40 (3), but that the payments were for full consideration in money or money's worth and that the word "indirectly" could not so enlarge the words "paid to settlor" as to include payment to a person other than the settlor for his own use and benefit. He held that the transactions were not banking transactions and that the payments were no more loans by the company when the account was in debit than payments by the settlor were loans to the company when the account was in credit. Lord Normand held that payments to third parties were not payments "directly or indirectly" to the settlor and, *obiter*, that they were not "loans." Lord Oaksey said he was prepared to decide the case on the ground that on a true construction sub-section (5) (*a*) (i) only refers to sums paid by way of loan which, unlike the payments in question, were not paid for full consideration in money or money's worth. Apart from this, he held that the payments were neither by way of loan nor were they paid directly or indirectly to the settlor. Lord Macdermott agreed that the payments were neither loans nor made to the settlor; and, at the close of his speech, there was a passage which sums up the present situation, bearing in mind that there was no suggestion in the case that it was a scheme of tax avoidance. Speaking of Section 40 as a preventive of tax avoidance, he said:

> the section attempts this in a manner which may work great harm to innocent people, as by inflicting tax on the grossed-up amount of a loan so temporary that it might only be till the banks opened or of a loan genuinely borrowed and as genuinely repaid by the settlor. . . . But Section 40 seems capable of involving straightforward transactions to such a considerable extent that a decision which may encourage the substitution of something better need not be a matter for regret.

Tax Cases—Advance Notes

In his Recent Tax Cases *our contributor, Mr. W. B. Cowcher, O.B.E., B.Litt., Barrister-at-Law, discusses every tax decision reached in the High Courts. We believe that the comprehensive nature of his learned and trenchant comments has been greatly appreciated by our readers. However, it is necessary for* Recent Tax Cases *to be written after the appearance of the full reports of the Court hearings. This means both that there is some slight delay before Mr. Cowcher's notes are published and that at the time of—or perhaps even slightly before—the inclusion of a case in* Recent Tax Cases, *the case may go to appeal and be heard in a higher Court, with the result that* Recent Tax Cases *cannot keep readers fully informed of the up-to-date position.*

As a supplement to Recent Tax Cases, *therefore, we are commencing with our present issue a new feature* Tax Cases—Advance Notes. *This feature is contributed by Mr. H. Major Allen, Barrister-at-Law, who will give in epitome form and without comment the salient facts and the decisions in all tax cases heard in the High Courts up to the time of our going to press.* Recent Tax Cases *will continue to provide a reasoned commentary on these cases, usually a month or two later, but our new "stop press" feature will, we hope, prove useful to readers who wish to have the latest possible information about tax cases, though without any discussion on them.*

By H. MAJOR ALLEN, Barrister-at-Law

CHANCERY DIVISION (Wynn-Parry, J.)

Owen *v.* Sassoon. March 6, 1951.

Facts.—S., who at all material times was neither resident nor ordinarily resident in the United Kingdom, was an underwriting member of Lloyd's. As a condition of admission to membership he was required to deposit securities to an amount fixed by the committee. These securities were held by Lloyd's on the usual trust to pay the income thereof to S. until he should default in paying claims on policies underwritten by him. No such default had ever occurred and the income from the securities was regularly paid to S.

The deposited securities consisted of

(1) Colonial Stocks to which Rule 2 (*d*) of Schedule C applied, and

(2) Savings Bonds to which Section 60 (1), Finance Act, 1940, applied.

The Revenue claimed tax on the interest from the securities on the ground that it formed part of the income from S.'s business. (*See* Finance Act, 1940, Sections 21 and 60.)

The Commissioners for the City of London held that the interest did not form part of the profits of the business, and was exempt from tax.

Decision.—The interest formed part of the income from S.'s business and was taxable accordingly.

Commissioners' decision reversed.

Standage Power Couplings, Ltd. *v.* C.I.R. March 6, 1951.

Facts.—The profits or losses of the company's trade as computed for profits tax, but before taking into account the provisions of Finance Act, 1937, Fourth Schedule, para. 2 (2) (carry forward of losses) or of Finance Act, 1947, Section 33 (abatement) were as follows:

Chargeable accounting period ended 31.3.47	*Loss*	£1,987
Chargeable accounting period ended 31.3.48	*Profit*	£1,714
Chargeable accounting period ended 31.3.49	*Profit*	£5,184

The company was assessed in respect of the chargeable accounting period to March 31, 1949, on the footing that £1,714 of the loss (of the C.A.P. to March 31, 1947) should be set off against the profit of the following C.A.P. and the balance against the £5,184 profit, and that the appropriate abatement should be allowed against the net figure of £4,911.

The company contended that the proper procedure was first to allow abatement against the profit of £1,714, reducing it to *nil*, secondly, to allow abatement against the profit of £5,184, reducing it to £3,821, and finally to deduct the loss from that figure, so reducing the chargeable profit to £1,834.

The Special Commissioners decided in favour of the basis contended for by the Revenue.

Decision.—Appeal dismissed. Special Commissioners' decision affirmed.

Rellim, Ltd. *v.* Vise. March 2, 1951.

Facts.—R., Ltd., was incorporated on January 10, 1938, for the objects, *inter alia*, of acquiring property and turning it to account. In the year ended March 31, 1939, the company purchased 12 houses and 13 acres of land. In the year ended March 31, 1944, a farm of 47 acres was bought. All the properties were let to tenants by the company, which had no income other than from the rents. For the years prior to 1946-7, the Revenue treated the company as an investment company and gave relief for management expenses under Section 33, Income Tax Act, 1918.

Between July, 1945, and April, 1947, the company sold 2 houses, the 47 acres of farmland and the other 13 acres of land.

Assessments were raised under Case I of Schedule D for 1946-7, 1947-8 and 1948-9 in respect of the company's profits from sales of land and houses.

R., Ltd., appealed to the General Commissioners (Kettering Division) who confirmed the assessments.

Decision.—Wynn-Parry, J., held (with reluctance) that it could not be said that there was no evidence to support the Commissioners' findings.

Appeal dismissed.

Owen and Gadsdon *v.* Brock. February 28, 1951.

Facts.—O. and G. practised as solicitors in partnership. At the end of 1946, S., an employee, was living in lodgings apart from his wife, being unable to find accommodation for her near the office. O., fearing that S. would leave to obtain employment near his own home, arranged for the erection of a bungalow to be occupied by S. Owing to building delays, he bought in 1947 a house for temporary occupation by S. O. and G. agreed that the purchase should be treated as a partnership transaction.

On completion of the bungalow, O. and G. sold the house at a loss of £350 and claimed that sum (plus legal costs, etc.) as a deduction in arriving at the partnership profits.

On appeal, the General Commissioners held that the loss was a capital item and not allowable.

Decision. — Commissioners' decision affirmed. Appeal dismissed.

Littman *v.* Barron. February 28, 1951.

Facts.—L., a dealer in property, was assessed for 1942-3 under Case VI, Schedule D, on "excess rents" arising from 23 properties held by him on lease, and sublet at enhanced rentals. He claimed under Section 27, Finance Act, 1927, to be entitled to a deduction from the amount of the profits so assessed of the "losses" arising out of five other properties. The rents received by him in respect of two of these properties were less than the net annual value assessed under Schedule A, while he had been unable to let the three remaining properties in respect of which he paid rents totalling £2,900 p.a.

The Commissioners refused the claim.

Decision.—The amount of a "rent deficiency" arrived at as a result of the calculation provided for by Section 15, Finance Act, 1940, is not a "loss" of the kind envisaged by Section 27, Finance Act, 1947.

Appeal dismissed.

COURT OF APPEAL (Evershed, M.R., Jenkins and Hodson, L.JJ.)

Silverts, Ltd. *v.* C.I.R. March 5, 1951.

The facts in this case and the decision of Romer, J., were reported in ACCOUNTANCY for November, 1950, page 409.

Decision.—A "custodian trustee" is not the "bare trustee" referred to in *Bibby's* case. The controlling interest in S., Ltd., therefore lay with the custodian trustee and not with the directors.

Appeal dismissed. Leave to appeal to the House of Lords granted.

Yates *v.* Starkey. March 5, 1951.

The facts in this case and the decision of Vaisey, J., were reported in ACCOUNTANCY for January, 1951, page 22.

Decision.—The judgment of Vaisey, J., was affirmed and the Crown's appeal dismissed.

Goodwin *v.* Brewster. February 9, 1951.

The facts in this case and the decision of Danckwertz, J., were reported in ACCOUNTANCY for February, page 58.

Decision.—Appeal dismissed.

We regret that a misprint occurred in the Student's Tax Columns in our February issue on page 67. In the first example, the net profits for 1949 should have been given as £100, and not £800. The misprint was probably obvious, however, from the rest of the calculation.

An error unfortunately occurred in the same article at the head of the second column of page 67. As the Schedule A assessment is only £200, the balance of the annual payment (of £280) to be set against Schedule D is £80 and not £160 as stated.

TAX AND GOVERNMENT ACCOUNTS—AN INTERNATIONAL VIEW

THE EFFECT OF MONETARY DEPRECIATION on taxed profits is not, according to the International Chamber of Commerce, sufficiently understood by business men, who are its chief victims. When a fall in the value of money, though causing goods to be sold at higher prices, also means that their replacement is similarly at a higher expense, the result is that, unless special measures are taken in the tax laws, operating or sales receipts which are completed in money terms—but depreciated money—will be taxed as though they were real receipts. This problem, says the International Chamber, has been variously dealt with according to the varying degrees of depreciation. Some countries were compelled by extreme inflation to devise a new currency, in which assets were re-written. Others, less affected by inflation, revalued assets to conform with the loss in purchasing power of the currency. Others—and it might be added that the United Kingdom falls almost entirely in this category—took no steps whatever to avoid the taxation of inflationary profits.

The Chamber's Commission on taxation has adopted a statement urging all governments now to consider how profits should be computed for taxation purposes when the buying power of money falls. It states that investigations have already begun in some government circles and that the Fiscal Commission of the United Nations, at the request of the International Chamber, has included the subject in the provisional agenda of its session to be held next May.

The Chamber continues by urging a review of the accounting methods in force by governments, particularly as instruments for financial policy. "The presentation of the business activities of governments should," it argues, "be governed by business principles. The accounts should show clearly whether the result is a net surplus or a loss calling for subsidies from the nation. . . . The International Chamber of Commerce realises that, owing to the size of the accounts involved and owing to political considerations, rapid development of government accounting is not to be expected, but it believes it to be essential that studies should be started immediately by all governments in the light of their individual circumstances."

The following taxation subjects are dealt with in other parts of this issue: Consolidation of Tax Law, page 125; Purchase Tax on Stationery, page 126; The Migration of Mining Companies, page 126; Organisation of the Inland Revenue, page 128; Life Assurance Premiums, page 134.

The Student's Tax Columns

COMPUTATIONS OF PROFITS

THE COMMON METHOD OF "ADJUSTING" A COMMERCIAL profit and loss account to arrive at the profit (or loss) for income tax purposes, is to start with the profit, add back the expenses charged in the account which are not allowable deductions for income tax purposes, and deduct any amounts credited to the account that are not to be regarded as proper items to be included in the trading profit. The effect, of course, is to arrive at the profit that the account would have shown had the items in question never been included.

Example (1). The profits of a partnership:

		£		£
To Expenses ..		13,450	By Gross profit ..	19,185
Partners' Salaries		1,800		
Int. on Capital ..		1,100		
Balance A	£1,620			
B	810			
C	405			
		2,835		
		£19,185		£19,185

Computation

	£	
Balance of profit as above	2,835	
Interest on capital	1,100	These are all appropriations of profit.
Partners' salaries	1,800	
Sundry disallowable (say)	300	
	£6,035	

Example (2). Profit and Loss Account of ABX, Ltd., for the year ended December 31, 1950

	£		£
To Rent and Rates	756	By Gross Profit ..	33,597
Light, Heat and Power ..	292	Dividends on investments	1,110
Housekeeping salaries ..	1,800	War Loan $3\frac{1}{2}$% interest ..	350
Repairs ..	619	Transfer from bad debt provision to maintain it at 5% of debtors	292
Catering ..	1,850	Excess of sale proceeds over written down value of plant sold ..	164
Selling expenses	1,117		
Advertising ..	5,420		
Delivery expenses ..	1,493		
Discounts ..	756		
Bad debts ..	210		
Staff travelling	1,422		
Office salaries and expenses	6,323		
Auditing ..	525		
Bank charges ..	99		
Subscriptions	42		
Loan interest ..	150		
Depreciation ..	2,728		
Net profit ..	9,911		
	£35,513		£35,513

The notes at the side of the following computation indicate the information leading to the adjustments made.

Computation for Income Tax Purposes

	£ −	£ +	
Net profit per accounts ..		9,911	
Rent		400	The higher of rent or N.A.V. is deductible to avoid double taxation—the N.A.V. being taxed under Schedule A.
Net Annual Value ..	450		
Housekeeping salaries ..		200	On private flat of proprietor. Remainder is caretaker, night watchman, etc.
Repairs ..		150	Agreed value of improvements as distinct from repairs.
Catering ..		100	For proprietor and his family.
Bad debts ..		55	Provision not based on a specific debt.
Staff travelling		40	Proprietor's season ticket from home to business.
Subscriptions ..		35	Amounts not allowable as being to charities, etc.
Loan interest ..		150	Tax is deductible on payment.
Depreciation ..		2,728	Specifically disallowed.
Dividends ..	1,110		Taxed at source.
War Loan Interest	350		Taxable under Case III.
Bad debt provision ..	292		Not allowed when set aside, therefore taxed already.
Sale of plant ..	164		Capital item.
		13,769	
	−	2,366	
Adjusted profit of year to 31.12.50		£11,403	

In examination questions, subscriptions should be treated as follows:

(*a*) *Trade subscriptions.* If not too big in amount, make a note assuming (if the information is not given) that the trade association has made the usual arrangement to pay tax on its excess income so that the subscriptions are allowable. A note would be required to the contrary if they were added back, but that would take longer to write!

(*b*) *Charitable subscriptions.* If to local institutions from which employees or their dependants can derive benefit (make a note of any assumption to that effect if the information is not given) they are allowable; otherwise not. Donations of exceptional character or to a building fund or other capital purpose are not allowable.

(*c*) *Research subscriptions.* These are allowed if the recipient is an approved research association.

The Month in the City

Activity and Weakness

WHATEVER TROUBLES THE PAST MONTH has brought the investor, he cannot complain of lack of incident. February finished with markets quietly firm and many prices a shade higher than those recorded here a month ago. They appear to have been little affected by the railway settlement, which clearly has inflationary implications, while the demands addressed to the Chancellor by the T.U.C. may well have been fully offset by the even more sweeping recommendations, in the opposite direction, by the F.B.I. A great deal of discussion of Budget prospects seems, on balance, to have led to the conclusion that taxation changes may be rather less severe than was at one time expected. This had a double effect in supporting the market, because it implied both that the taxation of industry would not be greatly increased and that the inflationary gap would not be closed. The bulls were also encouraged by a number of bonus issues—those of *United Molasses* and *Borax Consolidated* suggested that there was some relaxation of the ban in this field—and by the appearance of some excellent company accounts. Accounts that were excellent, that is, from the standpoint of money earnings and, in many cases, of dividends. Indeed, the experience of the month suggests that directors are coming to believe that shareholders should have some reward for the abstinence of recent years, even where liquid resources are not excessive in relation to current requirements.

New Issue Boom

The first signs of weakness came with the beginning of March, when it was already apparent that the brief period before Easter and the Budget would be occupied, as had indeed been expected, by very considerable demands on the investor for subscriptions to new issues. The number of offers of which particulars were given in *The Times* rose from nil in one week to five in the next and then to nine in the two ensuing days, the latter including the offer of *Northern Rhodesia* stock. Evidently such a spate of demands could not fail to affect the prices of existing securities, and the position was scarcely helped by a number of developments in the field of credit control. None of these appeared of great importance to the London market, but there have been three developments all pointing in one direction: a rise in the trade bill rate in London, somewhat over-due, the decision of the United States Treasury to offer a new long-term bond carrying a rather higher rate of interest, but without any undertaking to support its value, and the suggestions of the O.E.E.C. secretariat that measures should be taken internationally to limit price rises by credit policy. All these factors, making for a higher rate of return on investments, coupled with such developments as the threatened nationalisation of *Anglo-Iranian Oil Company*, the uncertain trend in overseas trade figures and an uncertain trend in some commodity prices, sufficed at last to produce a real decline in security prices. Between February 21 and March 22 the indices of the *Financial Times* moved as follows: for Government securities from 104.75 to 104.16, for general fixed interest from 120.85 to 118.67 and for industrial ordinary shares from 122.6 to 119.9, or to almost exactly the level of seven weeks before. The bulk of the fall in the fixed interest sections had occurred in the last two days.

The Rhodesia Loan

The offer on the London market of, effectively, £5,500,000 3½ per cent. Northern Rhodesia stock 1970-72 at 99 marks a reversal of the trend of the terms on which trustee securities can be placed. Incidentally it points the lesson of not trying to force the terms too fast against the investor. The terms of the loan are much like those prevailing six months ago. They are in sharp contrast with the offer made by Southern Rhodesia in January of 3½ per cent. stock 1980-85 at par. Of that offer 43 per cent. was left with the underwriters and, to judge from the continuing discount, a considerable proportion of it has yet to find a permanent home. Despite the great change in the terms it seemed doubtful whether the issue would be a success. However, few expected the actual result, namely, that 94 per cent. was left with the underwriters. This fiasco caused a fresh reverse in the market. As to most of the other offers the results are not yet known. It is important to note, however, that a considerable part of the total involved consists in the sale of existing business to the public rather than demands for new money for industrial development. This itself suggests that many people regard present prices as at or near a temporary peak.

German Debts

The assumption by the West German Government of responsibility for German pre-war debts and for obligations incurred towards the Occupying Powers was only a matter of time, since it was a pre-requisite of revision of the Occupation Statute. Nonetheless, it marks a decided step in the return to "normalcy" in European affairs. Details have yet to be completed, but the recognition includes debts of corporate bodies other than the Reich itself, and Austrian debt interest, as well as the direct obligations of the Reich. There is, apparently, to be some subordination of post-war obligations to the rights of pre-war creditors, as indeed should be the case. It of course remains true that the whole position is beset with difficulties—material, legal and, not least, political. It may be a very long time before British bondholders and other creditors see anything of their holdings and finally they may not receive much; how much will depend in no small measure on the attitude of our own Government. However, a beginning has been made and there is the further fact that this acknowledgement of responsibility opens the way for the resumption of normal financial relations for the German Government and German nationals.

Work of the Stock Exchange

An excellent account of the activities of, and of the part played in the national economy by, the stock markets was given by Mr. John B. Braithwaite, chairman of the Council of the Stock Exchange, London, in an address to the Institute of Bankers this month. While it is not unusual for members of the Council to lecture on this subject, it is rare that the chairman can find time for such activities, and the fact that he did so serves to stress the need which the Council feels that the functions of the exchanges should be more widely appreciated. Unfortunately it is inevitable that a series of lectures delivered by a few individuals, however energetic those individuals may be, can barely touch the fringe of the problem of making the public aware of the true position. How to secure the requisite education of masses of people in this, as in other matters of great social importance, is a problem which still awaits solution, but which ought to be tackled with energy.

BOOKS RECEIVED

INCOME TAX LAW AND PRACTICE. By Cecil A. Newport, F.A.C.C.A., and Oliver J. Shaw, Barrister-at-Law. Twenty-second edition. (*Sweet & Maxwell, Ltd., London. Price £1 net.*)

KEY TO COMPANY LAW AND PRACTICE. Edited by T. Bolton, A.C.I.S., and Percy F. Hughes, F.C.I.S. (*Secretaries Journal, Ltd., London. Price 7s. 6d. net.*)

TOLLEY'S COMPLETE INCOME TAX CHART-MANUAL, 1950-51. With Eire Supplement. (*Price 10s. 6d. net.*) THE PROFITS TAX. (*Price 3s. 6d.*) EXCESS PROFITS TAX. (*Price 3s.*)

TOLLEY'S INCOME TAXES IN THE CHANNEL ISLANDS AND ISLE OF MAN. (*Price 4s. 6d.*) (*Chas. H. Tolley & Co., 94, Gleneldon Road, London, S.W.16.*)

Points from Published Accounts

Segregating Current Net Profits

We have commented before upon *Hadfields'* presentation of their accounts. On the left-hand side of the balance sheet there are shown current assets and fixed assets, in that order, while the order on the right-hand side is current liabilities, capital, capital reserves, revenue reserves and surplus. This is a marked departure from the normal form of presentation. The profit and loss account is unexceptionable, the net profit after tax being directly comparable with the cost of the dividends paid. This is because the company adds on net profits of previous years to the balance brought down to the appropriation account, and relegates to this account the exceptional contribution to the sports club pavilion fund. But the directors' report falls short of this standard in that in showing the disposal of net profits the latest net profits and those of previous years are lumped together. It is preferable that the directors' report should deal with group figures, and this is done by Hadfields; in the accompanying table we have re-drawn the report, using group figures, in a way that should, it seems to us, appeal to company shareholders generally.

	£	*Combined figures* £
Net profit after tax for year ended September 30, 1950		96,598
Deduct dividends (less tax) paid or recommended:		
(i) on Preference stock	7,425	
(ii) on Ordinary stock	103,778	111,203
		14,605
Add net profits of previous years		124,948
		110,343
Deduct (i) Adjustment of income tax reserves in respect of previous years	160	
(ii) Contribution to Hadfields' sports club pavilion fund ..	2,500	2,660
		107,683
Amount brought forward from previous year ..		657,267
Leaving to be carried forward		764,950

This shows clearly that the ordinary dividend is not fully covered by the year's net profits, whereas the Hadfields' report does not convey this picture, although the accounts do.

Information on Depreciation

With the accounts of *Raleigh Industries* shareholders are given some information on depreciation that may be of general interest. They are told that the charge against profits for depreciation is the amount which the directors consider necessary in respect of the year's usage thereof having regard to the cost price and the probable life of such assets. In recent years the depreciation charge has been calculated on a different basis, amounts being included in respect of initial allowances on capital expenditure incurred during the year, but it is stated that had this basis been adopted for the current year the charge would not have been materially different.

In addition, as a result of a general survey of the plant and machinery, and having regard to its original cost and probable remaining life, the directors are of opinion that the accumulated amount set aside for depreciation at July 1, 1948, was then, and still is, in excess of that which is reasonably necessary for this purpose. Accordingly, the depreciation written off plant and machinery since the 1948 Act came into force has been transferred from provision for depreciation to the capital reserve set up to meet the excess replacement cost of fixed assets.

Foreign Exchange Intricacies

The troubles in Indonesia have brought headaches to the accountants of British-owned companies there. Briefly, the companies are permitted to earn profits in local currency, but in order to make remittances to this country they have to buy sterling exchange certificates at an extortionate rate. The problem of setting out profits statements can be tackled in three ways. The first is to present an estate account (most of the companies under discussion are plantations crop producers) showing crop proceeds, estate expenditure and so on, and showing, before striking a balance, the cost of purchasing sterling for remittance. The defect of this, whether the accounts are drawn up in rupiah or sterling, is that the balance does not reflect the "normal" result of operations. The second method is to omit presentation of the estate account, and blanket completely the prices obtained for produce, estate costs, and the exchange debits. The third method is to present an estate account in rupiah, and relegate to the profit and loss account the exchange intricacies.

Central Sumatra Rubber Estates adopts the second method, the accounts showing "balance from trading account (after charging loss on exchange thereon and rupiah 235,200 Indonesian taxation on profit for year)—rupiah 325,112," the sterling equivalent being shown at £10,160. In the appropriation account there is a debit of £10,679 loss on exchange on net liquid assets in Indonesia, which is lightened to the extent of £2,647 charged to trading account.

Sumatra Para Rubber Plantations shows receipts in Sumatra, estate expenditure and depreciation all expressed in sterling, along with a provision of £17,000 for the cost of purchasing exchange certificates. These items produce a debit of £10,589, which is increased to a net loss of £11,292 after United Kingdom expenses and investment income. In the appropriation account is shown:

Exchange difference on net current assets in Indonesia at March 31, 1950, at Rs.32 to £ ..	£18,168	
Less provision for exchange already provided, as above ..	17,000	
		£1,168

In his speech with the accounts the chairman points out that the company has laid out £17,000 in order to make a remittance to London, and on the meagre information at the Board's disposal it is estimated that the remittance may be in the region of £8,000. What this would seem to amount to is that the loss from converting the net current assets into sterling is £18,168, and that at the cost of £17,000 of this sum, about £8,000 of those current assets are remitted to this country. The question that seems to need resolving is whether or not these exchange items should not all be treated as "below the line" items. While there is no sense in coating the pill for shareholders, it might be preferable to put all such items "below the line," if only to segregate the picture of the trading experience from the exchange problems.

Initial Allowance Benefits

In the accounts of *Jonas Woodhead* the taxation provision is computed after taking into account approximately £20,000 benefit of losses of prior years and of initial allowances and income tax on deferred repairs. While it is a simple matter for the shareholder to

deduct that £20,000 from the net profit after taxation as shown in the accounts in order to arrive at the notional normal cover for his dividend, he will, if he is wise, want to project his thoughts to the future. If there are no initial allowances, no deferred repairs expenditure, and no losses to set off, what will be his dividend chances? The report does not tell him. At the balance sheet date there were no capital commitments, the deferred repairs provision had been reduced from £6,907 to £1,610, and the subsidiaries together earned net profits of £11,630, against net losses of £3,078 in the preceding year. This leaves shareholders perplexed by the addition of a bonus of 5 per cent. to the maintained dividend. The total distribution takes £38,672 and without the £20,000 tax relief profits would have been over-distributed. Thus shareholders were left out on a limb, until the meeting, wondering whether or not the bonus would prove to be a non-recurring windfall.

Taxation is also a thorn in the side of the *South Western Industrial and Water Corporation*, which is a holding concern interested in six wholly-owned subsidiaries. Net profit after tax of £46,939 is shown in the accounts after providing £33,310 profits tax and £85,809 income tax. The latter has been reduced by £20,000 by reason of initial allowances. In his speech with the accounts the chairman gives a profits figure before tax for the second half of 1950, but states that the incidence of taxation "for the current year will, so far as can be seen at present, result in a charge in excess of what would normally be considered to be a fair charge for taxation for the year." He does not discuss the exceptionally heavy weight of income tax in the past period, which would appear to be attributable to the operating companies being treated as separate entities for taxation purposes. In discussing the accounts in a recent issue the *Investors' Chronicle* said this: "One school of thought holds that a group of companies such as this would be penalised if it had to present separate accounts for each of its subsidiaries, because it would then be revealing information which a company running its various ventures as departments would be under no compulsion to disclose. That general consideration does not make it anything but extremely desirable that South Western Industrial and Water, whose ventures are so dissimilar in their nature and trading experience, should provide its shareholders with facts and figures relating to the four main subsidiaries so that they can get the future tax liability, and their dividend prospects, in perspective."

LAW

Legal Notes

When is a cheque not a cheque?

A cheque is a special kind of bill of exchange and by Section 3 (1) of the Bills of Exchange Act, 1882, "a bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money *to or to the order of a specified person or to bearer*."

In **Cole v. Milsome** (1951, 1 A.E.R. 311), a document was drawn on an ordinary cheque form and would have satisfied all the requirements of the definition, except that the direction for payment ran: "Pay cash or order." The question was whether this was an order to pay "to or to the order of a specified person or to bearer." Lloyd-Jacob, J., decided that it was not such an order and therefore the document was not a bill of exchange.

This confirms the decision given in *North and South Insurance Corporation, Ltd.* v. *National Provincial Bank, Ltd.* (1936, 1 K.B. 328). That case, however, was also decided on other grounds. A company had filled up a cheque form with the words "Pay cash or order" and for good consideration had delivered the document to another person who presented it for payment at a bank; the bank paid. The company then went into liquidation and the liquidator sought to recover the money from the bank. The Court held that even if the document was not a bill of exchange, it was a clear direction to the bank to pay and the bank was entitled to act on that direction. This principle has not been overruled by *Cole's* case and, therefore, in normal circumstances banks will presumably continue to pay upon cheque forms which contain the direction: "Pay cash or order."

Contract—Rate of exchange.

In **Cummings v. London Bullion Co., Ltd.** (1951, W.N. 102), the Court had to consider an interesting point arising out of devaluation. C., an American resident outside the scheduled territories, bought a brooch in London for 3,200 dollars upon terms that if he found the brooch unsatisfactory he could return it and the sellers would repay him in dollars. On August 16, 1949, C. returned the brooch, but under the Exchange Control Act, 1947, the sellers were unable to repay in dollars until they had obtained the permission of the Treasury. This permission was not obtained until September 29, and eleven days earlier the pound had been devalued. The question at issue was whether the sellers had to repay the sterling equivalent of 3,200 dollars at the old or at the new rate of exchange.

By Section 33 (1) of the Exchange Control Act, 1947, "it shall be an implied condition in any contract that, where, by virtue of this Act, the permission or consent of the Treasury is at the time of the contract required for the performance of any terms thereof, that term shall not be performed except in so far as the permission or consent is given or is not required." C. contended that the effect of this sub-Section was to make September 29 the contractual date of repayment and therefore the new rate of exchange applied. The sellers contended that the effect of the sub-Section was not to alter the contractual obligation as it existed under the contract itself but merely to interfere with the time of performance of it. Slade, J., upheld the sellers' contention and decided that the old rate of exchange applied.

National Insurance—Self-employed person.

In **Gould v. Minister of National Insurance** (1951, 1 A.E.R., 368) the Court considered upon what principles it should be decided whether or not a man is "self-employed" for the purposes of the National Insurance Act, 1946. Ormerod, J., said that a contract of service must be distinguished from a contract for services. The test was the degree of control exercised by the person employing the insured man and this meant not only the amount of control but the nature of that control and the direction in which it was exercised. In the case before his lordship the insured man was a music-hall artist who had entered into a written contract to appear in a variety act at a theatre for one week. The contract was detailed and dealt, among other matters, with the attendance of the artist at rehearsals, with the procedure to be adopted in

case of illness and with the use of improper words or gestures: it gave the management power to prohibit the whole or a part of any act and to make reasonable requests to the artist to produce a new or to revert to an old song. His lordship held that all these were simply conditions necessary to the proper working of the theatre, but there was nothing which imposed on the artist any control over the method with which he performed his act. The performing of the act depended entirely upon his own skill, personality and artistry, and that was a matter with which the contract gave the management no right to interfere. Accordingly his lordship found that the artist was a self-employed person.

Creation of floating charges by Scottish companies.

In **Carse v. Coppen,** decided on December 8, 1950, the Court of Session had to consider the effect of a floating charge created by a company registered in Scotland over all its assets, part of which were in England. Now the Companies Act, 1948, applies generally both to English and to Scottish companies but there are certain provisions, including those relating to floating charges, which apply only to companies registered in England. There was, therefore, no dispute that the floating charge did not affect the assets in Scotland, and the only question was whether it was binding upon the assets in England. Lord Keith in a dissenting judgment thought that it was binding but the majority of the Court held that it was not. However, they left open the question what the position would have been if the floating charge had been initially limited to the assets in England.

Publications

PROFITS TAX. By N. E. Mustoe. (*Sir Isaac Pitman & Sons, Ltd., London. Price 45s. net.*)

Profits Tax is a notoriously awkward subject to handle satisfactorily, being based on a veritable patchwork of legislation. This book is, to all intents and purposes, the first attempt to compile a comprehensive "standard work" on the subject. First attempt though it may be, it is likely to be recognised both quickly and widely as having succeeded. On the whole it deserves such recognition.

Method of presentation in a work of this kind is a matter of individual taste. Some prefer the text of the legislation to be segregated in a section all on its own, others like the method used by the author, who incorporates the relevant provisions in his own text in the places where they are being considered by him. The latter method is more adaptable to the tidying-up process which is essential (and which the author handles with competence) in dealing with the left-overs of the old N.D.C. incorporated without consolidation into the new and somewhat different tax which is the Profits Tax.

The subject is tackled in a practical and workmanlike, yet fully comprehensive, way. The book is likely to prove of greater value to the practitioner than many another work in other fields in solving the type of knotty problem which is all too apt to arise in his day-to-day work. Recent legislation (such as that relating to capital allowances) and matters of definition and interpretation which are common to both income tax and profits tax are adequately covered in the text. There are ample short examples used throughout the work to illustrate particular points and a rather novel expedient—one whole chapter is devoted to a mammoth composite example. Minor criticisms, not entirely free from personal prejudice, are:

(*a*) In his profuse cross-referencing the author always adds "ante" or "post" to the page numbers of the references. This is an unnecessary refinement and since these tags are in italics they are on some pages slightly irritating to the eye.

(*b*) At this late date, and in spite of numerous cases which are still unsettled, it would not seem necessary to give quite so much attention to factors which died before January 1, 1947.

J. W. W.

MACHINERY INVENTORY. By H. Rivington, F.S.A.A. [*Gee and Co. (Publishers), Ltd., London. Price 30s. net.*]

Mr. Rivington's Inventory makes a welcome appearance as a plant register which is suitable for use not only by accountants and cost accountants, but also by works managers and engineers. Records of all kinds of assets can be conveniently maintained in it, and its columnar layout in logical sequence will ensure its use by many companies and firms requiring a register which quickly and easily provides the information about plant and depreciation required under the Companies Act, 1948. In addition to such varied applications, the register is also useful for income tax purposes, as columns are provided for entering initial and annual allowances, balancing charges and the purchases against which the charges are offset.

The major part of the Inventory gives space for entering details of the assets, their cost, annual and special depreciation, additions, sales, profit or loss on sales, accumulated depreciation and valuation.

The Inventory can record nearly 300 separate items over a period of ten years. One of the few criticisms that can be levied, a very minor one, is that too little space seems to be given to describing the asset and listing the name of its supplier. In many cases identification of some plant can only be obtained by means of a detailed description of its specification and location.

The author, who has used his Inventory in practice in a number of cases, is very generously giving royalties on the publication to the Incorporated Accountants' Research Committee.

J. D. N.

SHARE-TRANSFER OFFICE PROCEDURE. By M. F. Marshall Parkes and G. Brian Parker, M.A., LL.B. (*Jordan & Sons, Ltd., London. Price 15s. net.*)

PRACTICAL SECRETARIAL WORK. By Henry I. Lee, A.C.I.S., and William N. Barr. Third edition by P. J. W. Daniell. (*Sir Isaac Pitman & Sons, Ltd., London. Price 21s. net.*)

The book by *Parkes* and *Parker* will be very valuable to the many students of secretarial practice who do not get the opportunity of obtaining good practical experience, especially since it sets out various secretarial procedures in full detail.

The authors state in the preface that they have sought to bring within one volume a practical guide to the administration of a transfer office and to obviate the necessity of consulting a number of text-books. But though the book is an excellent practical survey, it is not a complete *vade-mecum*. For example, its use would not render unnecessary constant reference to the Companies Act, 1948, the Exchange Control Act, 1947, and the Bank of England notices.

There is much detailed information on transfer procedure which has not been given previously, and the remarks under such headings as "Proof of Delivery" are most helpful. A correction is called for on one detailed point, however: it is not common practice to send new share certificates by

registered post. To do so would be very expensive for a large company.

The chapter on dividend payments gives full details of a system and this should be of great assistance to students. However, the system described is not the most up-to-date and most desirable for a company with a large number of shareholders.

The forms reproduced in the book are generally so good that it is a pity there are not more of them. It is unfortunate that one of the forms contains the old fashioned wording "We beg to enclose . . ." The idea of having a dividend mandate on the back of a complete dividend warrant is a good one and is becoming popular, but the specimen mandate given could be more up-to-date and in line with recent recommendations of the Chartered Institute of Secretaries. It is not usually considered necessary to ask a bank to countersign an indemnity for a lost dividend warrant.

It is rather strange that both this book and the one (by *Lee* and *Barr*, revised by Daniell) reviewed below both state definitely that when a notice in lieu of distringas is served upon a company that company must not thereafter pay dividends upon the shares affected. Whereas a notice in lieu of distringas may affect dividend payments, it normally only affects transfers and the notice itself will usually state that it does not stop the payment of dividends.

The format is excellent and the book is printed in a manner that makes it very easy to read.

The preface of the work by *Lee* and *Barr*, now revised by *Daniell*, states that it is primarily designed to meet the needs of examinees and potential secretaries who are preparing for the examinations of the recognised secretarial bodies. It fully covers the syllabus of these examinations. Although the book has been brought up-to-date to cover the many changes in secretarial practice and procedure necessitated by the Companies Act, 1948, some of its forms are unfortunately out of date. Counterfoil books are certainly not used to-day. In a modern transfer office there is no time for repetition work and there cannot be any good reason for giving the addresses of the transferor and transferee in a transfer register. The forms are otherwise very useful and helpful.

The references to the Exchange Control Act, 1947, are limited and it is a drawback that fuller information on this Act is not given, especially in view of its importance to secretaries and registrars.

Chain of representation, which usually causes students difficulty, is clearly set out. So, too, is procedure of certification and registration of transfers, but it must be pointed out that in practice advice letters to transferors are invariably sent upon certification.

The chapters on payment of dividends and on meetings, and the large number of specimen resolutions that are reproduced, should be of great value to students.

Mr. Daniell is to be congratulated upon briefly setting out the procedure of turning a public company into a private one. The reviewer some years ago had experience of a change of this kind but was then not able to find a single text-book which contained any reference to the procedure.

T. P. R.

BOOKS RECEIVED

INVESTMENT ARITHMETIC. A practical guide to the methods of financial calculators. By M. S. Rix. (*Sir Isaac Pitman & Sons, Ltd., London. Price 15s. net.*)

RETURN OF OUTSTANDING DEBT (ENGLAND AND WALES), as at March 31, 1950. (*Institute of Municipal Treasurers and Accountants, 1, Buckingham Place, London, S.W.1. No price stated.*)

ELEMENTARY MERCANTILE LAW. By Oswald Griffiths, M.A., LL.B., Barrister-at-Law. Eighth edition. (*Textbooks, Ltd., and The British College of Accountancy, Ltd., London. Price 15s. net.*)

OFFICE PRINTING AND DUPLICATING. By J. E. Dunkley. (*Office Management Association, Management House, 8, Hill Street, London, W.1. Price 5s. net.*)

THE RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES AND RECEIVERS. By Ranking, Spicer and Pegler. Twenty-first edition by H. A. R. J. Wilson, F.C.A., F.S.A.A., and R. D. Penfold, LL.B., Barrister-at-Law. (*H. F. L. (Publishers), Ltd., and Sir Isaac Pitman & Sons, Ltd., London. Price 21s. net.*)

Letter to the Editor

National Savings and Tax Reserve Certificates as Investments

SIR,—I think many people assume that National Savings Certificates are investments suitable only for the small investor, but in view of the fact that the interest is free of income tax and sur-tax, the effective rate of interest for those taxpayers in the higher income groups is substantial.

The effective rate of interest on Tax Reserve Certificates purchased by individuals in the highest income groups is also considerable. Subpended is a statement showing:

1. The amount a taxpayer in each income group would have to invest at 5 per cent. per annum, less income tax and sur-tax, to yield the same net income as £375 invested in 500 National Savings Certificates (9th issue) if held for 10 years. This amount would be doubled if both man and wife took up the maximum of 500 National Savings Certificates each at a total cost of £750.
2. The effective rate of interest on money invested in National Savings Certificates.
3. The effective rate of interest on money invested in Tax Reserve Certificates.

Income	Capital to be invested at 5 per cent. less tax.			Effective rate of interest on National Savings Certificates			Effective rate of interest on Tax Reserve Certificates bearing interest at ¾ per cent.		
	£	s.	d.	£	s.	d.	£	s.	d.
Up to £2,000	415	6	8	5	10	9	1	7	3
Between £2,001 and £2,500	507	11	8	6	15	4	1	13	4
" £2,501 " £3,000	537	8	4	7	3	4	1	15	4
" £3,001 " £4,000	609	1	8	8	2	5	2	0	0
" £4,001 " £5,000	702	16	8	9	7	5	2	6	2
" £5,001 " £6,000	830	11	8	11	1	6	2	14	6
" £6,001 " £8,000	1,015	3	4	13	10	9	3	6	8
" £8,001 " £10,000	1,305	5	0	17	8	1	4	5	8
" £10,001 " £12,000	1,827	6	8	24	7	4	6	0	0
" £12,001 " £15,000	3,045	11	8	40	12	3	10	0	0
" £15,001 " £20,000	4,568	6	8	60	18	4	15	0	0
Above £20,000	9,136	13	4	121	16	8	30	0	0

Yours faithfully,

M. MYERS.

Leeds.
March 12, 1951.

THE SOCIETY OF Incorporated Accountants

MANAGEMENT ACCOUNTING IN U.S.A.

A meeting of Incorporated Accountants was held in London on January 18, 1951, to discuss the report of the Team on Management Accounting which last year visited the United States under the auspices of the Anglo-American Council on Productivity. Six members of the team, including its chairman, Mr. Ian T. Morrow, C.A., were present to lead the discussion and to answer questions put to them. Mr. A. Stuart Allen, F.S.A.A., the President of the Society of Incorporated Accountants, presided over the meeting.

The Chairman (Mr. A. Stuart Allen, F.S.A.A.): We are extremely fortunate in being able to welcome here to-night no fewer than six members of the Management Accounting Team: Mr. Ian T. Morrow, C.A., F.C.W.A., its leader, Mr. R. G. Hooker, Mr. D. Williamson, A.C.A., A.C.W.A., Mr. S. J. D. Berger, M.C., F.C.I.S., its secretary, Mr. G. A. Culverwell, A.S.A.A., A.C.W.A., and Mr. H. C. Rutherford.

As you know, this team went to the United States to investigate, examine and study management methods in relation to accounting, and its report was issued last November. It makes most fascinating reading, but I think one's main impression is of the immense achievement that was compressed into so short a space of time as two months. In itself it is an excellent example of efficient but practical planning, translated by collaboration and the team spirit among the members of the team.

Mr. I. T. Morrow: We suggest dealing with the report under six headings: Costing; Education; Financial and Published Accounts; Purchasing and Stock Control; Sales, Design and Manufacture (as one section); and, finally, Top Management.

COSTING

We had rather a surprise on costing. We went to the States as humble students and thought we were going to learn a great deal about the technicalities of costing. Much to our surprise, however, we found there was nothing new there in the technical sense. Some of the applications, of course, were extremely interesting. In the first week or so we had a certain amount of trouble with jargon. We kept asking, "Do you keep budgets and use standard costs?" and the answer nearly every time was "No." After about an hour or an hour and a half, however, we usually found that what they kept were called "forecasts"—not "budgets."

So far as we could find out in our small sample, the average of costing and control information in the States is much higher than it is in this country. I would emphasise that in our selection of the sixty-odd firms we went to, we were not trying to pick the best or the largest, our sample ranging from a firm with 75 employees up to the United Steel Corporation employing about 300,000. In some cases we found the records extremely poor and there was nothing at all for us to learn.

On the question of costs and budget control, the most interesting thing was the development of two-stage budgets, namely, a long-term or master budget to be used for cost finding and product costs, and then a control budget. This might be produced every month, quarter or six months, depending on what was happening in the business. By this method, they said, they were able to get a much closer control of the day-to-day operations. Obviously, the difference between the control budget and the master budget was a volume variance or an expense variance, and that was treated as part of the budget.

As to presentation, the most outstanding thing was the speed with which they got the figures into the hands of the management. In the case of one very large company, the profit and loss account was on the president's desk three days after the end of the month. We did not find any other company in the States which beat that, but we found some which nearly equalled it.

Mr. D. Williamson: Possibly there is a point or two in Mr. Morrow's remarks which might be taken up and emphasised. One is the question of the speed of production of office figures. This matter is tied up very closely with mechanisation—adding machine equipment, and so on. We noticed we had a good deal to learn from the States in that respect. They were extremely flexible in the usage of their staff—not so much the usage of machines but the usage of staff. In the offices we saw we found it to be universal for each individual member of the staff to be able to operate the simpler machines—I exclude, of course, high-speed machines which require specially trained operators. We always found one or more machines on the desk of every office employee.

There is virtually nobody employed in an office who is below the age of 18. That is due to State and education laws. We were impressed with the fact that there is great flexibility on the part of the staff in their ability to set about the work of preparing the figures, and a high premium is always placed on speed. They do not delay matters for extreme accuracy. We found in many cases that the first job is to get out the nearly dead-right figures, while the complete results followed several days later. Any variance, of course, was taken up in the following accounting period. All the time the emphasis was being placed on the speed with which the figures could be got into the hands of the men who counted.

Mr. G. A. Culverwell: In regard to the larger types of mechanisation—such things as card-punching equipment and keyboard counting equipment—the usage would seem to be very much comparable with that in this country, but the ancillary type of mechanisation was used very extensively. If a clerk could justify a 25 per cent. usage of the ancillary types of equipment, he was allowed to have them; it was considered to be an economy. The use of calculating pools was very infrequent.

The organisation in their offices was quite noteworthy. They did not have the highly-skilled clerk who is normal in this country, but a greater number of relatively highly skilled accountants and, below them, this unskilled or semi-skilled labour which was extremely flexible. Another aspect of their organisation was the complete integration of industrial accounting. One did not find a separate cost department and a separate finance accounting department: they were all part of one function, the production of information for management. The one accounting system produced both the finance accounts and the cost accounts.

Mr. R. G. Hooker: Those of you who have read the report will have noticed that we were continually talking about the cost-consciousness of all the people employed in the factories. It was a state of mind existing not only among the accountants; all of them, from the charge-hand right up to the president, were conscious of the need to keep the costs down to a minimum. That

atmosphere has a great deal to do with the fact that America's productivity is higher than ours.

We have frequently been asked, "How do they achieve this state of cost-consciousness? How do you make engineers, and so on, cost-conscious?" My impression was that it was due to the spirit of co-operation which exists among all levels of management in American industry. One reason for that, I think, is that the accountants there have realised that if they are going to get the co-operation of the other people they must try and understand something about their work. Our team consisted not only of accountants but also of production engineers and managers, and the non-accountants were impressed with the high state of technical knowledge of non-accountancy matters which existed with accountants in America.

Mr. H. C. Rutherford: It is relatively easy to produce figures—most of us know how to do that—but it is much more difficult to be sure that those figures will be the figures to be used, and it is more difficult for management to make use of them. We have not mentioned so far the actual title of "the controller." The controller is not really equivalent to the chief accountant here, nor is he equivalent to a cost accountant. He is the person who is responsible for all the cost accounting and statistical work of the company. He may have a chief accountant and a cost accountant responsible to him. Those two people, however, are not two people with two different sets of accounts, but two people deriving different conclusions from the same accounts.

The controller's chief function is that of providing management with the information they need. He himself does not necessarily stick to any close technique at all. In fact, we found an immense flexibility about it. We found also an immense flexibility about the sort of reports controllers would produce to the management. There was a large number of the usual routine reports, but the main point was the close contact which existed between the controller and the top management. And not only was that so at top level; it existed between all those in the controller's department and the subordinate managements.

Mr. R. G. Hooker: Nevertheless, every care was taken to make sure that the number of routine reports was kept down to the minimum. They used a report only if it could be justified, and were ruthless in cutting out reports which could not be used. One controller told us, "Once a year I stop sending out all reports. If people start shouting, I know that they want the report." They did not all use those methods, but most of them reviewed once a year the reports they were sending out.

The speed of presentation of the reports has been mentioned. The Americans are very fortunate in that they have a decimal currency. We mentioned this to them and they said, "We don't know why you stick to pounds, shillings and pence." We thought it might be worth making a few investigations when we came back, and we enquired from one or two companies over here who use decimal currencies internally. One company takes all its normal transactions and translates them into decimals and those decimals are used throughout. They reckon the saving effected to be as much as 5 per cent.

Mr. H. C. Rutherford: Mr. Morrow spoke of the long-term and the short-term forecasts. Not only was that done, but almost always when the management were going to make some major decision, or a manager further down the line was going to make what was, in his context, a major decision, they would require actual facts and figures on which to act. That is one difference between what happens on an average there and what happens on an average here. They wanted actual figures on which to base their conclusions. We found, even, that there were several forecasts current at the same time. When the management were going to make a decision they would want one or two possible forecasts as to what would happen if they decided this way or that way. They would keep the forecasts current and make their variance from actual against those different forecasts, to see how it would have gone, one way or another.

They also had different forecasts for events beyond the control of management. The controller might produce two or three different forecasts according to whether the price of something went up or down or whether there was a war or not, and so on. They would be using those alternative forecasts continually, so as to get the best use out of the figures presented.

The Chairman: Ladies and gentlemen, I suggest that on this question of costing we have probably spent as much time as we can afford, and I shall therefore be very glad if you will put your questions.

Mr. Clifton: I am extremely interested to hear of the speed with which the profit and loss accounts are put before the managements. I get a profit and loss account out by the third Wednesday of the month following the month to which it relates, and I think that is good. What prevents my doing it earlier is that wages are paid a week late. When the month ends on a pay day it obviously means a week into the next month before the wages are paid and another week before they are analysed. Therefore it seems to me impossible to produce a profit and loss account much earlier than I do already.

Mr. I. T. Morrow: In some cases the Americans also paid their wages a week in arrear, and to get this speed they sacrificed actuality but not accuracy. About the 20th of the month they stop recording actualities and make their estimates for the ten days, in order to get out their profit and loss account. As one controller said, "I am paid to make estimates. If you want only a record of actuals, you might as well get somebody else at half the price. And if I do not guess right, I shall get only half the price, too." The Americans are good salesmen and no doubt showed us only the best results. The margin of error, plus or minus, was only 1 per cent. Certainly I do not think they made many serious mistakes. It was their job to finalise these accounts by introducing estimates, and they had to be reasonably accurate.

Mr. Broad: Were these results obtained at greater expense? Did they have larger staffs, or was it done by sheer efficiency?

Mr. D. Williamson: It is very difficult to answer that question, because once you start asking a company what percentage the salaries bill of the office staff is to the total cost of all employees, you become involved in a difference of definition. We tried that once or twice but then rather dropped asking for percentages. What is the office staff in an engineering company, for instance, where they design their own machinery? I had the visual impression that they had not noticeably more nor noticeably fewer employees in the office. I did not get the impression that they were squandering money in order to obtain these extremely good returns.

Mr. D. Williamson: There is a very important point which may be mentioned. It is a fact that the office worker in America is not in any sense exploited or overworked. Do no get the impression that these were devoted people who were putting their heads down and working with phenomenal energy. They were busily occupied and were reasonable people, but we did not get the impression that they were supermen or superwomen at all. They were the average run of employees and would compare with their opposite numbers in this country. And so would their working hours.

EDUCATION

Mr. Clifton: I was extremely interested to hear that the foremen were capable of understanding figures. Is the standard of education of these men higher than that in this country? One finds that foremen and charge-hands ought to be given an elementary lesson in bookkeeping before they could take figures and understand them. Perhaps the standard of education of these people here is lower than that of their counterparts in the States.

Mr. H. C. Rutherford: I would not say it was due to the standard of education, but that they had a very good reason for understanding what the figures meant. A

target was set for them, showing what they were to produce, how much they were to spend, and so on, and they were closely cross-questioned at the end of the week if they had failed in their target. Consequently they wanted figures daily or weekly to tell them how they were doing. If you know you are going to be cross-questioned at the end of a period about what you have done in terms of figures, you take good care to understand figures and to know how you are doing.

Mr. Chadbourne: What is the usual method of attaching overhead expenses in the States? Over here it seems to be largely on direct labour.

Mr. I. T. Morrow: We found every possible variety of doing it, but most companies were trying to make a serious study as to how the overhead arose. They tried to find out who were getting the benefit of it, and to charge it on that basis. They were also doing it on raw material, direct wages, total costs and so on. We did not find anything new in that regard. The techniques they used were equally familiar.

Mr. S. D. Berger: Reference has already been made to cost-consciousness. There is also another attitude—profit-consciousness—and everybody throughout the organisation there realises that costs and profits are closely linked. That is why they make it their business to understand the cost figures. You may be surprised to know that some of these people, who perhaps you think have super-intelligence, do not wait to have these figures presented to them but will actually go to the cost people to get the information. There is very close co-operation.

On the general question of education one could give a lot of details, but we must be brief. You probably know that there are not the same number of professional organisations in America as there are in this country. There is the American Institute of Accountants, the National Association of Cost Accountants, and the Controllers' Institute. There are others, but those three are the most closely allied to the subject we are discussing. Only one of those—the American Institute of Accountants—is actually a professional examining body, and even that is not entirely in that category, because a man can become a C.P.A. in the States without becoming a member of that Institute. So much for the accounting or semi-accounting organisations.

There is next the question of education for management. The Americans believe they can do something in the direction of educating people for management, and it is not purely academic. The point that impressed us most of all at Harvard, the Massachusetts Institute of Technology and Columbia was the fact that the tutors were practical accounting men or practical management men. Some of them held positions on boards of directors; others were consultants who had to spend a certain amount of time every week on consulting work so that they could keep closely in touch with current trends.

You must not run away with the idea that every accountant or every controller in America is necessarily a university-trained man. Actually the schools of management in connection with the universities are nearly always for post-graduate people, and many persons we met had not gone through such a course but had acquired their knowledge through practical experience and perhaps by attending night school, and so forth. But the great emphasis is on the practical side as against the purely academic.

Mr. I. T. Morrow: A remark we heard at Harvard is interesting. One professor there said he reckoned that their most difficult task was to try and bridge the gap between the accountants and the managers. In other words, they were trying to make the managers conscious of the technique of the accountants, to let them know what accounting could do for them, and, equally important, what it could not do for them: we do not want to over-sell accounting. Similarly, they were trying to make the accountants conscious of the technique of the managers. While only a small fraction of the managers in the States can be taken by the schools, the influence of the schools, through journals, lectures and so on, is very widespread. In other words, they are regarded as the fount of a great deal of good information and good technique.

The Chairman: Ladies and gentlemen, you have had the general idea of this section of the report. Are there any questions?

Mr. Longman: Is there any general commercial training in the high school curriculum? Or is that always a specialised subject?

Mr. R. G. Hooker: My impression was that at that level their training was not very much different from ours. A large number of the people who had risen to the rank of controller had started as cost clerks in the factories and had done their training in their own time. Possibly some sections of their high schools specialise in commercial subjects; but even in the schools which do not specialise in business administration it is pointed out to the students that if they are going to succeed they must try and appreciate the other man's point of view. The students are told: "Do not confine yourselves solely to accounting. Try and get an idea of what the other man is doing, and you will obtain then a better idea of the information you are preparing for him." Accounting in America is essentially a service function. Accountants are there to serve the other departments in the undertaking, and they need to know something about those departments' operations in order to appreciate what their figures are going to do.

Mr. I. T. Morrow: The Americans are great enthusiasts for practical education or technical education, and were running in the evening a post-graduate course in business administration. To attend that course it was necessary to spend at the university $5\frac{1}{2}$ hours per week for two years, and the only men admitted were men of around 30 and upwards—most, I suppose, married men who held fairly responsible positions in industry. Yet they had to ration the places: there were more applications for the course than they were able to handle. I do not know whether married men over here could get off for $5\frac{1}{2}$ hours per week.

Mr. Penington: Do the team think American methods of training for accountancy are far superior to those in this country? And is there in America any equivalent to the articled clerk system?

Mr. I. T. Morrow: We did not study education for accounting as such; we were studying education for management. One school of thought there took the line of getting actual cases from industry, presenting them to the students and asking for a solution. Then they would tell the students what had actually taken place in industry. Of course, there is always the reservation that what had actually happened was entirely wrong and what the students had suggested was right.

On the second part of the question, I may say that they do not have articles, so far as I know. Conditions vary with the States. To obtain a C.P.A., which is the nearest equivalent, in most States you must have a college degree and then take the State examination, which is usually set by the American Institute of Accountants. In some States they require a certain amount of service in a public accountant's office; in others they do not. You cannot assume that because a man is a C.P.A. he has been in a public accountant's office. It is a prerogative of the State.

Mr. Wilson: On the question of education for costing, I think one of the speakers said that only one of three bodies—the American Institute—undertook the examination of students. Do we take it that the examination of cost accountants is done by that body in each case, and do they deal with costing rather more fully than do the professional bodies here? Or is there any other body?

Mr. S. D. Berger: The National Association of Cost Accountants, which consists of about 28,500 members, has nearly doubled itself in the last seven years. It is an organisation for collecting, collating and disseminating costing information. It is not an examining body. Anyone who is

interested in costing and who likes to pay 30 dollars, I believe, can become a member. They provide a very good outlet, through their chapters or branches, for discussions, debates and hearing papers, and so forth. But there is no actual cost accounting examining body in America. The American Institute of Accountants do include costing in their curriculum, but I would not say they go very much farther than the Society and the Institute here—perhaps a little, but not much. In other words, they do not specialise.

FINANCIAL AND PUBLISHED ACCOUNTS

Mr. D. Williamson: We now come to published accounts, which is a subject on its own. We had a chance of examining some of those magnificent volumes which are published by public companies in the States. There are one or two classics, like the *Caterpillar Corporation* accounts, which I suppose would sell in this country at 10s. a copy. Those annual accounts are sent to every stockholder.

There are several distinct features presented by these annual reports and accounts. First, there is the president's report on the year's activities. That goes into more detail, I think, than does the average report in this country, but we did not make it specifically our business to make comparisons. We noticed, however, that the president's report goes into a splendid amount of detail and also is couched in language that will be understood by people who are not very strong on figures—average people who may be stockholders. Also the employees are encouraged to follow the explanation of the year's results. Then there are the audited accounts, which, in general, are presented in much the same way as in this country. They are followed —and this is where there is a very marked difference—by a profuse selection of statistical information about past years. A number of companies in this country are doing this, but there is no doubt that America makes it almost a general practice. I analysed a substantial number of balance sheets and found that one-third or one-half of the assortment I looked at published on supplementary pages comparative figures for something like ten years. I do not mean merely figures of debtors, stocks, creditors, share capital and balance-sheet figures, but the real working figures—tonnage of output, value of output and figures like those of the average amount earned per week by each employee and the cost of raw materials per ton : points such as those, appropriate to the particular industry. Supplementary pages give maps and diagrams indicating points about the industry, such as the parts of the world from which the company drew its raw materials. There was an attempt to make the report an educative and sales document. We found that much of this publication of information resulted from legislation which, as so often happens, was very unpopular at the start, but which has been accepted now and is not nearly so unpopular.

Mr. I. T. Morrow: They also went to extraordinary lengths to cultivate relations with stockholders. If somebody bought some of their stock they would write a very nice letter to him, and some companies sent samples of the things they produced. We were warned not to try and buy any *General Motors* stock! And as soon as someone sold stock they would write and say how sorry they were that he was leaving the company; what was the reason? and so on. Often they heard that it was because of an addition to the family, or that the man was leaving the district, or something like that. We asked why they did all this and, again with that curious mixture of idealism and practical politics of the Americans, were told that it was pleasant to keep in touch with the stockholders, and then they added: "Besides, it is the cheapest way of raising new capital from existing stockholders."

Mr. S. D. Berger: Sometimes they issue a specially brightly illustrated digest for the employees, as distinct from their main reports. Whether that is for ulterior motives or not I cannot say, but it shows that they want to ensure that their employees are taking an intelligent interest in the activities of the organisation. It is put to them in a very simple, illustrated way.

Mr. G. A. Culverwell: A very large number of companies addressed their report to their stockholders and employees, and it was the practice to distribute the report to both sections. There are one or two interesting items in the accounts upon which one might comment. One was the treatment of depreciation. We found that it was again almost the universal practice to depreciate on cost on a straight-line basis. The accounting profession had been seriously considering the implications of the rising price-levels and inflation, but it had come to decisions very similar to those of the professional bodies in this country, that it would not do anything in this regard through the accounts. People there were still working on their cost figures for depreciation purposes and were not making any special provision for replacement costs. Another interesting fact is that they do not describe the profit and loss account as a profit and loss account; normally it is called an "income account," and what we call the balance sheet they often describe as a "statement of the financial position." Similarly, at the end of their income account there was a tendency to avoid using the word "profit," but not for motives that may have inspired similar action over here. They were describing it as "surplus" or as "income retained in the business." The whole purpose was more adequately to express what it represented to the stockholders and the employees.

Mr. H. C. Rutherford: A most important aspect of the whole question of reports given to stockholders is connected with the general willingness of the Americans to make information available far and wide. They are willing to provide statistics. It is true that many of them had to provide much of this information as statistics to Government departments, in any case. Its provision may have been compulsory at first, but they went far further in providing more information than was legally necessary. They were not worried at people having information about their company; in fact, they liked it. They publish information in company reports which in this country we are most chary to publish. If we did publish it I think it would save all sorts of people an immense amount of trouble; they would know quite easily what their competitors were doing. They probably know it, in any case, but now they have to work it out. In America it is just published.

The Chairman: What we have heard on this section makes it clear that in America those in control of companies are concerned to tell the story of the company's operation in attractive and interesting form and with the addition of comparisons that show the growth of the undertaking.

Mr. Mackenzie: To what degree is professional criticism made on these published accounts? And is it made available to the people who receive the accounts?

Mr. I. T. Morrow: They all have the usual certificates.

Mr. Mackenzie: We publish in our journal, ACCOUNTANCY, criticisms of certain aspects of accounts. Do they do that?

The Chairman: Yes, and with more material on which to base their criticisms.

A Member: You say that the management publish these reports and accounts because they like the facts to be known. Is the Committee of the opinion that they are read by the stockholders and the employees?

Mr. I. T. Morrow: They are read by the competitors, at any rate.

Mr. R. G. Hooker: Yes, I think they are read. It is difficult to judge, but we gained the impression that in a large number of factories the employees were interested in the operations of their company. They felt they were part of it. We were told that the stockholders also felt that they were part of the fraternity which went to build up the company.

Mr. I. T. Morrow: An employee in America has no illusion that if the company does not make a profit he will retain his job for long. Therefore, the employees there like to see a "surplus" figure.

PURCHASING AND STOCK CONTROL

Mr. G. A. Culverwell: The first thing that was noteworthy on this subject was the importance that was attached to the function of buying. The buyer was a member of the top management team. He was an integral part of that team and he had a contribution to make towards the continuous drive of management to reduce product costs. It is obvious to everyone that America is a competitive economy, and that competitive spirit runs through much of what they do. It was significant that in their purchasing they invariably required several quotations before they placed contracts. An extreme case with which I came into contact was in a group of companies that were primarily interested in supplying one another with materials. Yet the individual unit within the group still obtained quotations outside the group, and if they could purchase more cheaply outside they went outside. I think that is probably the limit of internal competitiveness.

On stock control, I may say, very briefly, that we came across, I should think, as wide a variety of stock recording methods as one would find in this country—everything from punched cards to quite a humble bin card. The essential idea was that they had the simplest possible method that would give them adequate stock control; and generally they insisted on having adequate control of their stocks. In that connection the greatest attention was paid to inventories, both in quantity and in value, and there was probably more information produced at all levels, from the president downwards, relative to inventories than to any other item in the control information.

Mr. R. G. Hooker: There are two small points of interest on this subject. It was quite common practice to pay suppliers' invoices immediately the goods were received and without waiting for inspection. They said, "We have dealt with these suppliers for a large number of years and we know that, should there be trouble, they will take retrospective action." In that way they were able to clear paper work quickly. Another point of interest was the attempt to get paper work in regard to small items of stores down to a minimum. They would not bother to make out complicated requisitions. A man requiring a few nuts, bolts or screws, for instance, would take a handful from the container; and the difference in weight, before and after, would be noted, probably at the end of the week, and the booking made. The whole idea was to keep things simple and not to waste time and trouble in chasing small items of expense. The policy is: "Keep your eye on big things and just a general check on the small ones."

Mr. Dyce: Did you find that pilfering arose to any great extent?

Mr. R. G. Hooker: There did not seem to be any. Of course, there were storekeepers as well, and they made sure that the man did not take two handsful instead of one. But they did not require the man to make out a chit and take it to the foreman and get it signed, and so on.

A Member: Did the Committee come across cases where professional accountants took physical stocks at the end of the period?

Mr. I. T. Morrow: We did not come across any cases. We found an interesting variation in how to take stock: a man was using a wire recorder. He was walking along, shouting into his microphone the number of articles in stock. But that was not universal. We went to another firm and they said, "No, we do not use that method. We used it last year and we threw it out."

The Chairman: Another example of flexibility!

SALES, DESIGN AND MANUFACTURE

Mr. R. G. Hooker: I would say that the point about design that impressed us a great deal was that in all design and development projects it was necessary to have a budget. Once the programme was agreed by the board, it was the job of the controller to go along to the man in charge of development and say, "This is our programme. Let us get down to it and see what it is going to cost." They would thresh it out between them and the controller would not allow the technician to "pull wool over his eyes"; he would demand lifelike figures. We received the impression that in that way the design and development people become as cost conscious as other people in the organisation and are prepared to co-operate in getting a job done as cheaply as possible. Having once commenced the job as a development project, they did not wait until it was finished before they found out how things were going. It was necessary to present reports at frequent intervals, depending on the amount of work involved, and in that way they were able to keep a check on development expenditure. They were always looking for new methods and were never sure that they were at the point they wanted to be—because you do get woolly-haired people who sit in a corner and have no conception of cost—but they felt they were making progress.

As to new plant and equipment, we expected to find most up-to-date chromium-plated machinery, and so on. That is not so. In many cases the average age of equipment in American factories is considerably higher than it is in this country. The reason is that before they introduce new equipment they demand that it should be justified. The chief engineer will say, "There is a new machine which has come out; we must have it." But he does not get away with that. He has to go to the controller and say, "I want this equipment because it is going to do so and so." That is translated into terms of money, and the machine having been installed they keep a check and see that it does save that amount of money. If it does not, they are suspicious of the man's next set of figures.

On the question of manufacturing departments, the most impressive point was the level of junior supervision. It was extremely high, and they went to a great deal of trouble to get the right people for the job. The consciousness at this level that it is necessary to worry not only about output, but also about output at a particular cost, is where they have a lead on us. But it is of interest to note that the Americans are as conscious of getting quality correct as we are here. However, they make quite sure that they do not have unnecessary quality. When they are considering their designs, and particularly when designs are said to be ready for production, they make sure that they know exactly what is required. They say, "It is expected to last for only a year or two; very well, we do not want something that will last for ten years."

All organisations, even transport organisations, made use of market research. The larger organisations had their own departments and the smaller organisations generally employed outside concerns. The market research departments of the large organisations in some cases did not report to the sales department, as they do in this country, but to the controller, because they were considered as just another service function, a department which was supplying information which had to be used in preparing budgets and forecasts. The Americans were conscious of the cost of variety. There is no doubt at all that sales departments in America do realise that if they can cut down on the variety of products they sell, it is better for them and for the organisation. The cost of variety is fully appreciated and everyone tries to keep it to a minimum. They also keep a check on the profitability of lines—not just on sales but on which are the best lines to sell. The salesmen have that information and try to push those lines.

Mr. I. T. Morrow: One or two firms which were selling consumer goods in fairly small quantities have introduced a merchandise department as a kind of buffer between production and sales. That department agreed or decided what was to be made and the price at which it was to be sold, and they agreed with the production people on the production programme. We were told that by the introduction of this intermediate department much of the bickering and trouble which comes from salesmen trying to get what they want from

production people, and vice versa, had been avoided.

Mr. R. G. Hooker: There existed, the whole time, between the design, development, production, sales and accounting departments, this business of working together.

Mr. G. A. Culverwell: That is illustrated by their selling methods and in the creation of a sales policy. It is a joint effort of all: top management, design, manufacturing and selling and the finance function are all brought in together and reach a conclusion as to what is the correct sales policy and what are the products they should sell. That having been decided, they go out and sell their product.

Mr. I. T. Morrow: They are very conscious of the value of volume and are always trying to get up to double and treble shift in their work. In spite of that, however, in the engineering trade they prepare their product costs on single-shift working. In textiles, on the other hand, they base their costs for the selling price on double-shift working.

Mr. D. Williamson: There is a point that bears on this question of long runs. They prefer long runs because of cheaper production. We asked whether they ever met the request of customers for a specialised article—one with some special frill that brought its cost to double. The normal idea in the States is that there are a certain number of firms that do not go in for mass production at all and if you want a particular quality or a non-standard specification in any other way you can get it, at a price, from firms who specialise on the shorter runs. You have to pay extra for it. The normal mass-producer will not divert his operations at all to give you a non-standard article.

Mr. G. A. Culverwell: It should be pointed out that within the consumer goods market there is a sufficient volume of manufacture. In spite of the individual producer having a large degree of standardisation, the consumer has certainly as wide a variety of product as he would have in British markets.

Mr. S. D. Berger: Another impressive point was the information services provided by both trade and Government Departments. Mr. Hooker and myself were at Washington for a couple of days and heard something of interest. Of course, the compilation and distribution of all these statistics is governed by the Bureau of the Budget; in other words, there has to be a certain allocation of funds made for the purpose. In one case it was found that they could not publish them that year and it was cut out. The particular industry went to the Government and said, "This information which we have had in the past has been very valuable and we cannot do without it. We are prepared to pay you [the Government] to provide this service."

The Chairman: Are there any questions on this section?

Mr. Gunn: I asked the engineer of a company which imports American machinery whether the manufacturers gave the life of a particular machine. He said they did not. He told me that if he ran the machine at a certain speed it would last many more years than if he ran it at a higher speed. How does a cost accountant decide on the life of a particular machine?

Mr. I. T. Morrow: I do not think we can give you any experience in detail from the States on that matter. Any production engineer has a fair idea of these facts: he knows that if he runs a machine at 2,000 revs. it will last, let us say, eight years, and at 20,000 revs. perhaps eight months. Over there, if they can get enough production to run it to death in eight months they will do it.

Mr. Gunn: But the engineer cannot tell it until he has used the machine for that time. I should have thought that the manufacturer of a machine would set out in his catalogue or give the purchaser that information.

Mr. Saunders: I have three questions: (1) Have they, in America, the equivalent of our credit controller? (2) Who collects the accounts in America—the accountant or the sales manager? and (3) You have spoken of a controller: is his function almost comparable with that of our managing director?

Mr. I. T. Morrow: Some firms had a credit controller. I would not say it was general, but he did exist. As to the collection of accounts, I should think that function varies between the controller and the treasurer, but I do not recollect the sales department having anything to do with it. Again, I am speaking only from the sample we made. On the third point, I should say that the controller was certainly not a managing director. If he tried to be the managing director or the president, there would be trouble: one would leave, and it would not be the president. The point we must emphasise is that the controller was there to serve the managing director or vice-president—and not only the managing director but management right down to the charge hand. It is of interest to note that a vice-president would take us into the shop and would quite often know by his Christian name the man on the machine. And the man from the shop would just as readily go into the office as the office man would go into the works. I do emphasise that the controller was the servant and not the master. I should hate you to go away with the idea that we are advocating that accountants should take over industry.

Mr. H. C. Rutherford: One controller was providing special reports for the management on certain subjects, but he did not regard it as coming within his sphere to make recommendations as to what ought to be done. He said, "We do not consider we have to recommend what action management ought to take; we only consider we ought to give them all the information on which to base their decision."

A Member: In the engineering industry, was piece work involved, and did it call for a much more critical inspection?

Mr. R. G. Hooker: Piece work was involved, but they have developed statistical techniques—things we used to call quality control—to very great lengths. They devise their inspection programmes very carefully. There is not time to go into the question of incentives and piece work, but they are making new developments in meeting that problem. They will not allow piece work to interfere with quality.

TOP MANAGEMENT

Mr. H. C. Rutherford: The information which is supplied to top management is, of course, closely determined by what function each particular person has to fulfil. I should say that the greatest value of the controller's department to management organisation is to enable them to bring about a real decentralisation of responsibility. It is hardly necessary to go into the advantages of a man feeling that he really knows what is his job. He knows that he is going to be judged on it and he realises that he has a responsibility for that job and the authority that goes with it. To get proper decentralisation of responsibility functions have to be defined both in regard to the results for which a person is responsible and the actual expense accounts for which he is also responsible.

Management in America was divided among three quite clear functions. There was the function of the board of directors; the function of the top management; and the function of the departmental and foremen level. The responsibility of the board of directors was specifically general and financial. They set a target in financial terms of what they expected the executive management to achieve, but they did not interfere in how they were to achieve it. They simply received fairly voluminous financial information. They received forecasts from the controller and they approved certain projects—in fact, they had to approve anything which had a bearing on finance. They approved the projects, and thereafter it was up to the top executive management to carry them out as best they could.

In their turn, the top executive management, having their total overall target, set targets for their subordinate management, and expected them also to achieve the

results. That enabled the top executive management not to interfere in the day-to-day working of the departments and foremen but to concentrate on forecasting and planning the future, as they should concentrate on those things. We found, of course, that the top executive management were in and out of the shops and departments and were talking with their subordinate managers the whole time, but they were not interfering with their decisions. They were prepared to judge the subordinate managers by the results; they regarded their own chief function as that of planning.

Finally, the foremen and departmental managers needed information to tell them how they were doing relative to their targets. So you get a clear picture of real decentralisation of responsibility and a genuine decentralisation of control, each person setting to his subordinate some target and judging the results by that target. The information given was to enable the man to see how he himself was doing relative to the results he was expected to achieve, and how his subordinates were doing relative to the results he expected them to achieve.

Mr. I. T. Morrow: The executive management were getting very little in the way of routine reports; they were much more concerned with forecasting. I emphasise that because many people have the impression that the American factory is just "stiff" with paper. So far as we could observe, they had less paper than would be found here, and that was because they were ruthless in cutting out anything which did not contribute to the success of management. They did not keep returns going merely because it was thought management ought to have them. They were developing also the technique of special reports, under which the executive level would get each month a special report of one particular facet of the company's activities. They considered that instead of studying pages and pages of detail each month it was better to take one thing in one particular month and give it a good beating out, and that would last it for several months. That practice was becoming widespread.

Mr. G. A. Culverwell: The basis of their decentralised management was the setting of targets and budgets. These were not arbitrary budgets and targets imposed upon the various members of a company; they were agreed budgets and targets that were accepted as being reasonably achievable. As a result, the members of the company were prepared individually to be judged on the results they actually achieved against the budget or the target set them.

Mr. H. C. Rutherford: As to the special reports, they are a good example of the close co-operation between the controller and the top management. The controller would provide these special reports about any subject on which either the president or the vice-president asked him for information or about which he anticipated they soon would want information. We came across at least one instance where the president had sent a letter to the controller saying, "Will you please give me a special report on such-and-such a subject." The controller just rang for one of his special reporters and asked, "When will you have it ready?" and the man replied, "In three days' time." That report had already been in hand for the previous fortnight. He was a very live controller. That is a simple example of the obligation which the controller feels himself to be under, to be in the mind of the management the whole time. The management are consulting him all the time and he feels it to be his duty to give them information almost sooner than they ask for it.

GENERAL

The Chairman: You are now invited to put questions on any part of the discussion.

Mr. S. D. Berger: I have one point to make: it can be summed up in the word "promotion." There are three "P.s" in the American mind, and they are profits, promotion and pleasure. Promotion arises only from profit. We have emphasised that there is a good deal of profit-consciousness, and the question of promotion is paramount in the minds of a large number of people. Look at the list of appointments made and you will find, not that so-and-so has been given such-and-such a position, but that he has been promoted. That is the key word which makes the younger people want to qualify for something better. They are thinking all the while, "There is a better job round the corner and it is up to me."

A Member: In this country there is a considerable tendency for accountants to be appointed as managing directors of large concerns. It is a growing tendency. Did you find the same in America?

Mr. I. T. Morrow: It varies. I think three out of the four vice-presidents of *General Motors* were ex-accountants—if there ever is an ex-accountant. On the other hand, the statement was made to us that they are beginning to go more for trained industrial engineers. The fashion seems to go in waves — salesmen, accountants, engineers, and so on. We could not discern any definite trend.

The Chairman: Ladies and gentlemen, we have come to the end of a most interesting evening. I suggest that the attitude of business people in this country to American processes, methods and techniques varies between two extremes: on the one side there is the adulation which almost leads to slavish emulation of their customs, and on the other there is the attitude of contempt, where one says, briefly, "They cannot teach us anything." From the report and from the discussion we have heard this evening you will realise that the team which went to America and of which we have six representatives here this evening has achieved an extremely balanced attitude. They have kept an open mind and have been ready to learn, but to learn bearing in mind the difference in the conditions obtaining in America and those which prevail in this country.

So far as the report is concerned, I am left with the impression (and I am sure you will all agree with me in this) that our country owes a great debt to this team for the excellent work they have done. And our Society is under a particularly deep obligation to the gentlemen present here this evening, not only for the information given us and the informative discussion but, in particular, for the very illuminating remarks they have made in such a delightfully informal way. And, since we have been concerned with America, I am going to ask you, in an American phrase, to "give them a great hand." (Loud applause.)

Mr. I. T. Morrow: Mr. Chairman, I thank you on behalf of the team for your very kind remarks, and you, ladies and gentlemen, for the kind way in which you have received them. I also express the team's thanks to the Americans. The American people or Government paid all our dollar costs while we were in America, and wherever we went we could not have found more hospitality or patience. We would meet the president of a large company during the morning and say to him, "Leave us to somebody junior; we will get on all right." "No," he would reply, "my whole day is yours, and to-morrow also," and it was so. We cannot pay too high a tribute to the spirit with which they received us and the patience with which they put up with our somewhat stupid questions. And we thank them, too, for the nice way in which they have received our report in America, as well as here.

EVENTS OF THE MONTH

APRIL 2

London: Students' Society Annual General Meeting, at 5 p.m. "Deeds of Arrangement," by Mr. D. Mahony, F.S.A.A., at 6 p.m. Arranged by Students' Society. Hall of the Chartered Auctioneers' and Estate Agents' Institute, 29 Lincoln's Inn Fields, W.C.2.

APRIL 3

Preston: "Principles of Common Law, Statute Law, and Equity," by Mr. R. D. Penfold, LL.B., A.C.I.S., Barrister-at-Law, Preston and County Catholic Club, Winckley Square, at 7.30 p.m.

APRIL 4

Bradford : "Statistics," by Mr. B. B. Swann, B.SC., B.COM. Liberal Club, Bank Street, at 6.15 p.m.

London : Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17 Park Lane, W.1, at 6 p.m. Arranged by Students' Society. Admission by ticket only.

APRIL 5

London : Luncheon. Short talk by Field-Marshal Sir William Slim, G.B.E., K.C.B., D.S.O., M.C., Chief of the Imperial General Staff. Connaught Rooms, Great Queen Street, W.C.2, at 12.30 for 1 p.m. Admission by ticket, price 12s. 6d.

APRIL 10

Middlesbrough : "Schedule A, including Maintenance Claims," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Café Royal, Linthorpe Road, at 6.30 p.m.

Portsmouth : "Examination Tactics," by Mr. R. Glynne Williams, F.C.A. Gas Demonstration Rooms, at 6.15 p.m.

APRIL 11

London : Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17 Park Lane, W.1, at 6 p.m. Arranged by Students' Society. Admission by ticket only.

Newcastle upon Tyne : "Case I, Schedule D," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. 52 Grainger Street.

Southampton : "Examination Tactics," by Mr. R. Glynne Williams, F.C.A. 8-10 Portland Terrace.

Swansea : "Consolidated Accounts," by Mr. G. Gordon Thomas, PH.D., F.S.A.A., A.C.A. Arranged by Students' Section. Central Library, Alexandra Road, at 6.45 p.m.

APRIL 12

Bournemouth : "Examination Tactics," by Mr. R. Glynne Williams, F.C.A. Wedgwood Restaurant, Albert Road, at 6.30 p.m.

APRIL 13

Southend-on-Sea : "Design of Accounts," by Mr. H. Basil Sheasby, M.B.E., F.C.A., F.S.A.A. Arranged by London Students' Society, Southend-on-Sea and District Branch. Municipal College, Victoria Circus, at 7.45 p.m.

APRIL 14 TO 20

London Students' Society Final Course. Ashridge College, Berkhamsted.

APRIL 20

Hull : "Current Financial Problems," by Mr. C. L. Lawton, M.SC. (ECON.), Barrister-at-Law. Arranged by Students' Section. Church Institute, Albion Street, at 6.15 p.m.

MAY 1, 2 AND 3

Society's Examinations.

MAY 3

Bournemouth : Visit to a local concern using machine accounting.

THE BURDEN OF INFLATION

THE BIENNIAL DINNER OF THE INCORPORATED Accountants' Hull and District Society was held at Guildhall, Kingston-upon-Hull, on February 22. Mr. S. King, President of the District Society, presided.

The toast of "The Humber and its Interests" was proposed by Mr. L. Ballan, O.B.E., M.INST.T. (Commercial Superintendent, Railway Executive, N.E. Region), who said that in the past there had always been people ready to supply the enterprise which had built up the Humber ports. It was now necessary to ensure that young people were trained and encouraged to replace leaders who were gradually stepping aside. Professional bodies such as the Society of Incorporated Accountants could help enormously in this direction.

The Sheriff of Hull (Councillor F. L. Bailey, M.B.E.), in responding, was concerned that under nationalised services there was an ever-present danger of local conditions and considerations being ignored. In his opinion Hull was entitled to exceptional treatment because the foundation of its prosperity was based on its port trade.

Mr. J. H. Nicholson, M.A. (Principal, University College, Hull), proposing the toast of "The Society of Incorporated Accountants and Auditors," said that a spectacular development of national life in the last half century had been the growth of corporateness. Where this meant that men and women of professional qualifications were banded together, not merely to secure their professional interests, but to maintain their ethics, standards and practices, it was a grand thing.

Mr. A. Stuart Allen (President of the Society of Incorporated Accountants) responded to the toast. He pointed out that whereas professors used 26 symbols, accountants used 10 only, and that whilst figures were said to prove anything, there was greater need to watch for words which sought to prove everything. There were powers to-day endeavouring to delude the people of the world and on their success or failure the whole future of civilisation might depend.

The problem of inflation arose when money increased at a higher rate than the volume of purchasable goods. The rearmament programme involved the diversion of a large part of the country's productive capacity to military needs. This resulted in a rise in prices and wages, which increased the amount of money in the hands of a public whose main demands were for consumer goods. In theory, excessive purchasing power could be drained away by taxation and saving; but he did not believe that these could be sufficiently effective. It therefore followed that there must be inequalities in the distribution of the burden among the population. Mr. Allen illustrated this disparity by showing the effect on two men, one a bachelor, and the other a married man with four children, each earning a gross wage of £10 per week. Including family allowances the married man had a net income of £10 15s. per week or 36s. per head, whereas the bachelor, after taxation, still had nearly £9 per week. He suggested that taxation could not remove this inequality, and furthermore that the dissipation of surplus money on non-essential goods and services would not assist the national economy.

Mr. Allen then turned to matters more intimately affecting the Society. He was happy to report that Incorporated Accountabts' Hall would be restored this year, although it was not yet possible, owing to licence difficulties, to proceed with the extension. He referred to the resignation of Mr. A. A. Garrett as Secretary, and praised the work of his successor, Mr. Craig, and the Deputy Secretary, Mr. Evan-Jones. The Society's staff were doing a wonderful job under difficult conditions. He paid a warm tribute to the work of the Hull and District Society, particularly for the interest shown in the students; to its President, Mr. King; to Miss Ridgway for her work on the Council; and to the Honorary Secretaries of the District and Students' Societies.

Mr. S. King, F.S.A.A. (President of the District Society) proposed the toast of the guests. He particularly welcomed the presence of the ladies, and congratulated Miss I. A. Bentley who was among those successful at the recent Final Examination.

In response, Mr. H. I. Loten, Chairman of the University College Council, made reference to his happy association with accountants before his retirement from work as a bank manager.

SHEFFIELD AND STEEL

THE ANNUAL DINNER OF THE INCORPORATED Accountants' District Society of Sheffield was held at the Royal Victoria Hotel, Sheffield, on February 23. Among the guests were the Lord Mayor of Sheffield (Alderman Keeble Hawson), the Bishop of Sheffield (Dr. L. S. Hunter), the Master Cutler (Mr. Wilton Lee), and representatives of many accountants' and associated societies.

Mr. J. W. Richardson, F.S.A.A., President of the District Society, proposing the toast "The City and Trade of Sheffield," said that he was a native of the city and had spent his life there. After tracing briefly some of the city's civic, educational and religious history, he pointed out that the large steel firms for which Sheffield was noted had had small beginnings. In those days, industrialists had not been restricted as they were to-day. There were fewer forms to fill up, and there was a margin left

over after taxes had been paid for the replacement of machinery.

The Lord Mayor of Sheffield (Alderman Keeble Hawson), in responding, referred to the growth of the city during the past 150 years, and spoke of the way the city fathers of the past had improved its centre, although they had nothing like the powers of a modern city council. He could not help wondering what the future held for the city's further development.

The Master Cutler (Mr. Wilson Lee) also replied. He spoke of the new and heavy demands of taxation that would have to be met because of the rearmament programme. It was necessary for industrialists and accountants to make people realise their responsibilities. To meet that fantastic bill and at the same time maintain the social services without ruining industry meant harder work and higher productivity. Industrial leaders had got to convince those under them that that could be done by co-operation. He did not believe that people to-day were working as hard as they did ten years ago.

Professor Denis Browne (Pro-Vice-Chancellor of Sheffield University) proposed the toast of the Society of Incorporated Accountants. He said the man-in-the-street would be surprised if he knew how many of the levers of economic power were manipulated by men trained in accountancy. It was not too soon when in 1945 discussions began between accountants' societies and universities for the introduction of degree courses designed primarily for students of accountancy. In Sheffield the scheme had been working for about four years. Mr. Richardson and he had been concerned with establishing the courses there, and he, as Dean of the Faculty of Law, had also been concerned with some of the teaching.

It seemed to him that cultural value was obtained from a subject by making it an exacting and integrated intellectual discipline, and a practical art like accountancy should be treated in a university in close relation to the fundamental sciences to which it was related. In the case of accountancy, he supposed these were economics and law. The conclusion he drew—and it was not generally accepted—was that the highest cultural value was obtained if accountancy were related to those sciences, and was not obtained by inserting into the curriculum certain other subjects which seemed to him to have no essential bearing on accountancy.

Mr. A. Stuart Allen, F.S.A.A. (President of the Society of Incorporated Accountants) in his reply expressed warm appreciation to Professor Browne and his colleagues in the University of Sheffield for their generous support to the joint scheme of training for accountancy students.

The name of Sheffield was accepted throughout the world as the hall-mark of quality in steel production. The industry had surpassed all targets and its labour relations had been exceptionally harmonious. In the new era now beginning, it would be a matter of vital interest to the community whether the novel conditions would bring a success greater even than its previous and surprising best.

Sheffield was the second oldest District Society, and its fortunes had been bound up from early days with the name of Toothill. Mr. Percy Toothill was regarded with affectionate respect by his colleagues on the Council and by the staff; he was a worthy successor to his late father, Mr. Henry Toothill. The warm thanks of the Council were due to Mr. Richardson and his Committee, and to Mr. Kershaw as Honorary Secretary, for their excellent work in promoting the interests of members and students in the area.

Mr. W. H. Higginbotham, F.S.A.A. (Vice-President of the District Society) proposed the toast of "The Guests." Responses were made by the Bishop of Sheffield (Dr. L. S. Hunter) and by Sir Alexander Dunbar (President of the Sheffield Branch of the Institute of Directors).

Mrs. C. S. Garraway, F.S.A.A. (immediate Past President of the District Society) proposed the toast of "The President." Mr. Richardson replied.

OPTIMISM AND BUDGETARY PROSPECTS

THE ANNUAL DINNER OF THE INCORPORATED Accountants' Bradford and District Society was held at the Midland Hotel, Bradford, on March 9. Mr. C. E. Thomas, F.S.A.A., President of the District Society, occupied the chair. A large gathering included the Lord Mayor of Bradford (Alderman Alton Ward, F.S.A.A.), Lord Calverley (Deputy Lord Lieutenant of the West Riding of Yorkshire), Mr. A. Stuart Allen, F.S.A.A. (President of the Society of Incorporated Accountants) and Mr. I. A. F. Craig (Secretary), Mr. T. Joy (President of Bradford Textile Society), Mr. C. R. Morris, M.A. (Vice-Chancellor of Leeds University), Mr. C. W. Boyce, C.B.E., F.C.A. (Vice-President of the Institute of Chartered Accountants), Mr. Geoffrey A. N. Hirst, M.P., F.S.S., the Mayor of Keighley (Alderman E. Hutchinson), and representatives of other professional bodies, commerce, and the Inland Revenue.

Lord Calverley (Deputy Lord Lieutenant of the West Riding) proposed the toast of "The City and Trade of Bradford and District."

The Lord Mayor of Bradford (Alderman Alton Ward, F.S.A.A.), in response, spoke of the great contribution which accountancy had made to the city's welfare. He was surprised that so many Incorporated Accountants had taken commercial appointments. When he served his articles, there were four other articled clerks in the same office: only he and one other had stayed "in the profession."

In many years' experience of dealing with the Inland Revenue he had always found the officials very fine fellows—they even had a sense of humour.

Mr. T. Joy (President of Bradford Textile Society) also replied to the toast.

Mr. C. R. Morris, Vice-Chancellor of Leeds University, proposing "The Society of Incorporated Accountants and Auditors," said that what impressed many people about Britain was the number of great professional societies. We had an amazing genius for forming these high professional bodies, of which the Society of Incorporated Accountants was one. It was an example of integrity, clearness, lucidity and honesty. The profession had to have integrity as its watchword, for it dealt intimately with the affairs of our industries. Indeed, integrity was uppermost in the mind of everyone who thought of this great profession.

He was glad to see that they were encouraging newcomers to the profession to have the best possible education. He hoped that in the future there would be even greater co-operation between the universities and their Society. He was also interested to note how much research the Society had done. It was this sort of thing that made a still greater contribution to knowledge and skill.

Mr. A. Stuart Allen, F.S.A.A. (President of the Society of Incorporated Accountants) replied. He referred to the recent speech made by the Chancellor of the Exchequer in the House of Commons debate on the rearmament programme: they would all have noted the restrained optimism of his concluding phrases, a note which had been struck in his recent broadcast. He had suggested that the setback to national recovery caused by rearmament might only be temporary, and that if we took every opportunity of improving our industrial equipment and methods, the upward trend in our standard of life could be resumed. It was certainly necessary, said Mr. Allen, to strive energetically and look forward hopefully, but while we were suffering our present exiguous meat rationing and were obsessed by the possibilities of the forthcoming budget he felt that our optimism was adequately restrained.

From the recommendations made to the Chancellor by the Trades Union Congress and the Federation of British Industries, it could be seen that Mr. Gaitskell did not lack suggestions for his budget. At the moment the Chancellor was in the position of being able to choose from two extreme and

completely conflicting sets of ideas. Accountants, however, with their intimate knowledge of the practice of taxation, would be very conscious that a budget total of some £4,500 million must mean that the complexities and onerous effects of our fiscal laws would continue for the foreseeable future. It was inevitable that high rates of direct taxation must give rise to a multiplicity of provisions, designed on the one hand to relieve anomalies which were aggravated by the sheer weight of the burden, and on the other to prevent avoidance. The latter object could only be effected by provisions as elaborate as the schemes which they were designed to defeat.

The total budget expenditure would absorb a frightening proportion of our national income, yet a Royal Commission was sitting which had been entrusted with the task of devising means to encourage savings to finance the urgent capital needs of trade and industry.

Turning to more domestic issues, Mr. Allen said that rehabilitation work on Incorporated Accountants' Hall on the Embankment had now proceeded to a stage where an early return could be anticipated. He would be disappointed if they had not returned there by about the time of the annual meeting in May.

The Bradford District Society had an energetic committee under the Presidency of Mr. Wilson, their chairman that evening. There was an active section to supervise and assist in the education and training of students ; this aspect of the Society's work was growing rapidly in importance. The Council was grateful to them, and particularly to Mr. Frank Dean, the hon. secretary.

Special mention must also be made of Mr. James Heaton, a well-known writer on taxation, to whom the Society was indebted for his work as a lecturer and for his invaluable services to the Research Committee. As chairman of the recently-formed Taxation Committee he was responsible for the submission of the Society's evidence to the Millard Tucker Committee on retirement benefits.

The Lord Mayor had referred with pride to his membership of the Society. They all admired the way in which he discharged the duties of his high office while still in active practice.

Mr. C. E. Thomas, President of the District Society, proposed the toast of "Our Guests."

Mr. C. W. Boyce, Vice-President of the Institute of Chartered Accountants, who responded, said that both bodies had the same objects in view. In this world of change, accountants had an important part to play—their knowledge and skill was more and more in demand. It seemed inevitable that the recognised professional bodies should be drawn closer together.

Mr. Geoffrey A. N. Hirst, M.P., also responded.

MEMBERSHIP

The following promotions in, and additions to, the membership of the Society have been completed during the period December 12, 1950, to March 9, 1951.

ASSOCIATES TO FELLOWS

BLINKHORN, William Arthur Haynes, London. CRICK, Maurice Arthur (*Swallow, Crick & Co.*), Peterborough. DARK, Walter John, Borough Treasurer, Stalybridge. DAVISON, Joseph Ronald (*J. R. Davison & Co.*), Huddersfield. GARLAND, Harry Jackson Woodhouse (*H. W. Garland & Co.*), Belfast. HOLMES, Samuel Gerald Thomas (*Roberts & Pascho*), Plymouth. HULME, Norman Albert (*Jas. A. Hulme & Co.*), Manchester. LEVICK, Ernest (*H. Noel French, Ormrod & Co.*), Liverpool. PURSLOW, John Haydn (*Ridsdale, Cozens & Purslow*), Walsall. SINDEN, Frederick Victor (*Kemp, Chatteris & Co.*), London. STEWART, Andrew, Huddersfield Building Society, Huddersfield. WILKINSON, George Cuthbert, Middlesbrough.

FELLOWS

MUMBY, Norman Spencer (*Highfield, Pritchard & Mumby*), Liverpool. WALKER, Maurice Stanley (*Lawson & Walker*), Bradford.

ASSOCIATES

ADDY, Roy Thomas, with Hodgson, Harris & Co., Hull. ADKIN, Geoffrey Alfred, with Moores, Carson & Watson, London. ALDERSON, Kathleen, with Firth, Parish & Clarke, Bradford. ALDOUS, Geoffrey, with Alfred Nixon, Son & Turner, Manchester. ANDERSON, Robert Oswald, with Harper, Kent & Wheeler, Shrewsbury. ANDREWS, Leslie Graham, with Cooper & Kenny, Dublin. ANDREWS, Paxton Sidney, with Russell Tillett & Co., London. APLIN, Edward Eric Russell, with W. W. Beer, Aplin & Co., Exeter. ATKINSON, Ray Jean Bromley, with Deloitte, Plender, Griffiths & Co., London. BAILEY, Ronald Douglas, with Clarkson & Rumble, London. BAIRD, Douglas, with Peat, Marwick, Mitchell & Co., Darlington. BAKER, Elisabeth, with Walter Baker & Co., Berwick-on-Tweed. BAKER, Henry Alfred James, with Binder, Hamlyn & Co., London. BALL, Edwin Lewis, with Hart, Moss Copley & Co., Rotherham. BASU, Samir Kumar, B.COM., formerly with S. N. Mukherji & Co., Calcutta. BATES, James Higson, with Walter Baird & Co., Chester. BEDFORTH, Sidney Canfield, formerly Borough Treasurer's Department, Batley. BEDWELL, Walter, with Hesketh, Hardy, Hirshfield & Co., London. BEECHAM, Eric Marx (*Henry Finck & Beecham*), London. BELL, Peter Johnston, with Deloitte, Plender, Griffiths & Co., London. BENDING, Archibald William Leonard, with Spicer & Pegler, London. BEXLEY, Ronald Bertram, with Rawlinson & Hunter, London. BILLINGS, David Henry, with Brinley Bowen, Mills & Co., Swansea. BISHOP, Leslie Herbert Stokes, with Martin, Farlow & Co., London. BLIGH, Leslie Francis, with Turquand, Youngs & Co., London. BLIZZARD, Geoffrey, with Hodgson, Harris & Co., Hull. BORTON, Donald, Treasurer's Department, Salop County Council, Shrewsbury. BRAILSFORD, John Richard, Treasurer's Department, Ellesmere Port Urban District Council. BRISTOW, Donald Edwin, with Carpenter, Arnold & Turner, Brighton. BROOKS, Wilfred John, with Price Waterhouse & Co., London. BROWN, John Auckland, with L. C. Bye, Middlesbrough. BROWN, Kenneth Aubrey James, with A. J. Northcott, Lyddon & Co., Plymouth. BROWNLESS, Edwin Ernest, formerly with Cassleton Elliott & Co., London. BUCHAN, Alexander, with Thomas Smith & Sons, Glasgow. BUCHAN, Alfred George, with Marreco, Ridley & Heslop, London. BURFORD, Leslie Harold, B.COM., with Jackson, Pixley & Co., London. BURT, Robert Eric, with Miller Smith & Co., London. BUTLER, Gerald Austin, with R. L. Marsden & Co., Chesterfield. BUTTERWORTH, Clifford, with Nasmith, Coutts & Co., Manchester. CALLIN, John Patrick, with Albert Hill & Co., Douglas, I.o.M. CALVERT, Douglas Stuart, with Reads, Cocke & Watson, London. CAWTHORN, George Frederick, with Cooper-Parry, Hall, Doughty & Co., Derby. CHAPMAN, Douglas Harold Victor, with Clark, Battams & Co., London. CHEESMAN, Ronald Frederick, with W. A. Scott & Co., London. CHILCOTT, Arthur Gordon, with Ashmole, Edwards & Goskar, Swansea. CLARK, Daniel, with Peat, Marwick, Mitchell & Co., London. CLARK, Ronald James, with Layton-Bennett, Billingham & Co., London. CLOUGH, Wilfred, with F. G. Schofield & Son, Oldham. COPLAND, Harry, with H. A. Cairns & Co., Glasgow. COPNALL, Anthony, with Charles E. Dolby & Son, Liverpool. CORDELL, Henry Arthur, with C. F. Middleton & Co., London. CORK, Eric Jenner, Herne Bay. CORLETT, Ronald William, with J. B. Bolton, Douglas, I.o.M. CORNELIUS, Frank Hubert, with Wrigley, Bolton & Co., London. COULBECK, Aubrey Gerald, formerly with Hodgson, Harris & Co., Hull. CROCKETT, Darrell Alexander Jones, with Whinney, Smith & Whinney, London. CROOM, Geoffrey Llewellyn, with Watts, Gregory & Co., Cardiff. CULLEY, Fergus Wilfred, with Greaves & Co., Carlisle. DAGLISH, William

Edward, with J. W. Armstrong & Sons, Newcastle-upon-Tyne. DALY, Patrick Joseph, with Hayden, Stewart & Co., Dublin. DANBY, John Silas, with Geo. H. Chapman & Co., Folkestone. DAVIES, Bruce, Deputy Borough Treasurer, Richmond. DAVIS, Frederick Jenkins, with Woolger, Hennell, Scott-Mitchell & Co., London. DAVIS, Peter Richard, with Futcher, Head, Smith & Co., London. DEAN, Walter Ronald, with Peat, Marwick, Mitchell & Co., Birmingham. DE VILLIERS, Henri Paul, B.COM., formerly with Pearse & Ryan, Johannesburg. DICKEN, Stanley Leonard, with Townsend, Watson & Stone, London. DODOO, Harry Amoo, with Cassleton Elliott & Co., Accra. DOUGHTY, Derek William, with A. Hague & Son, Blackpool. DOUGLAS, Paul Michael, with Price Waterhouse & Co., London. DUNMALL, Charles, with Harmood Banner, Lewis & Mounsey, London. EASTERBROOK, Horace Frederick, with Ware, Ward & Co., Torquay. EDGINGTON, George Thomas, with Thornton & Thornton, Oxford. EHREN, Alfred, with Pannell, Crewdson & Hardy, London. ELLIOTT, Anthony Joseph, with Price Waterhouse & Co., London. ENGLISH, Geoffrey, formerly with H. D. Collins, Southport. EVANS, Vincent Morris, with Turquand, Youngs & Co., London. FARRELL, Frederick John, with Stanley Marsh, St. Helens. FIRBAN, Thomas Norman, with Wykes & Co., Leicester. FIRSTBROOK, Norman, with R. Horsefield, Manchester. FOSS, Peter Wilfred, with Henry White & Co., London. FOSTER, Brian Edgar, with Smallfield, Rawlins & Co., London. GARNSWORTHY, Randall William, with W. F. Atkinson, Sunderland. GATWARD, Raymond, with Newby, Dove & Rhodes, Leicester. GEE, Sidney, with D. Hunter, York. GENESE, David Alfred, with Ford, Rhodes, Williams & Co., London. GEORGE, Frederic Brand, formerly with Davis & Davis, Glastonbury. GEORGE, Norman John, with H. W. Baddeley, Newport, Mon. GHOSH, Jagannath, M.A., formerly with A. M. Roy & Co., Calcutta. GIBBONS, William George, with Clifford Thornton, Preston. GILBERT, Edgar Dinely Prior, with Peat, Marwick, Mitchell & Co., London. GILLHAM, Kenneth, with Stanley Holmes & Co., London. GODDEN, Dennis William George, with Graves, Goddard & Horton-Stephens, Brighton. GOLLEDGE, Geoffrey, with Pawley & Malyon, London. GOODHEW, Benjamin John, with Norman Sacker, Copper & Co., Bournemouth. GORDON, John Arthur, with Gough, Wright & Co., Brierley Hill. GOULDING, John Geoffrey, with A. P. Burton & Co., Keighley. GRATRIX, Kenneth Hyde, with Robert H. Benson, Manchester. GREEN, Geoffrey Lockwood, with Brooke & Stocks, Bradford. GREENWAY, John Anthony, with George A. Touche & Co., Birmingham. GREGG, Eric Hartwell, formerly with Curry, Carruthers & Thompson, Johannesburg. GREY, John, with C. H. Arkley & Co., North Shields. GRIFFITHS, Howell James, with Saunders, Horton, Evans & Co., Cardiff. GUDGIN, William Joseph, with Baker, Todman & Co., London. HAIGH, Bobbie, with Boyce, Welch & Co., Bradford. HALLIWELL, Edmund, with Price Waterhouse & Co., Liverpool. HAMMOND, Albert John, with Deloitte, Plender, Griffiths & Co., London. HARDCASTLE, Richard Clinton, with Harmood Banner, Lewis & Mounsey, Liverpool. HARRISON, Dunstan, with Peat, Marwick, Mitchell & Co., London. HARWOOD, Paul Andrew, with Moores, Carson & Watson, London. HASLAM, William Edwin, with James Watson & Son, Carlisle. HATTERSLEY, Donald Gordon, with G. K. Singer, Bridgend. HAYHOW, Leonard William, with Hayhow & Co., King's Lynn. HEAP, Jack Embley, with Farrant, Stott & Golland, Manchester. HEMINGWAY, Peter, with John Gordon, Walton & Co., Leeds. HEUGHAN, Ian Macdonald, with Charles Hewitt & Co., Johannesburg. HEWITT, Frank, with Armitage & Norton, Halifax. HINDLEY, Derek Harry, with J. D. Hamer & Co., Manchester. HINES, James Alfred Charles, with Baker, Todman & Co., London. HOARE, Kenneth, with Deloitte, Plender, Griffiths & Co., London. HODGKINSON, Alan, with S. E. Parish & Co., London. HOLMES, Leslie Ernest, Deputy City Treasurer, St. Albans. HOOLEY, Thomas Eric, with Price Waterhouse & Co., Liverpool. HOOPER, Percy Arthur, with Chas. W. Rooke, Lane & Co., London. HOPPER, Arnold, with Thomas Craggs & Co., Darlington. HORNE, Ralph, with T. B. Rich & Co., St. Annes-on-Sea. HOWARD, Leslie Reginald, with Charles E. Harper, London. HUDSON, Stanley Herbert, with J. W. Close, Hirst & Co., Leeds. HUGGETT, Dennis George, with Edwin Guthrie & Co., London. HULL, Victor Frank George Brown, with Deloitte, Plender, Griffiths & Co., London. JENKINS, Frederick Ronald, with Lord, Foster & Co., London. JOHNSON, James Butterworth, with F. W. Coope & Co., Blackpool. JONES, Kenneth, with T. R. Morris, Cardiff. JONES, Robert William, with Alexander Critchley, Liverpool. KATZ, William (*Michael Berman & Co.*), Cape Town. KENDALL, John Clifford, with Alfred T. Scott & Co., Ayr. KING, Edwin Arthur, with Rowley, Pemberton & Co., London. KIRK, George, with Barron & Barron, York. KITSON, Arthur William, with Myers, Davies & Co., London. KOSTER, Pieter, formerly with Gibson, Hay & Fenwick, Pretoria. LADD, Victor Alfred, with Duck, Mansfield & Co., London. LARCOMBE, Antony Stuart, with S. J. G. Southon & Co., Parkstone. LEACH, Donald, with H. Noel French, Ormrod & Co., Liverpool. LEE, John Albert, with W. Elles-Hill & Co., London. LEE, Peter John, with Beal, Young & Booth, Southampton. LEE-SMITH, Leonard Ralph, with Moore, Stephens & Co., London. LEEK, John, with Shipley, Blackburn, Sutton & Co., London. LEWIS, Percy William, with Peat, Marwick, Mitchell & Co., London. LINDOP, William John, with Clemence, Hoar & Co., Romford. LINE, Vivian William, with Maurice Thompson & Co., London. LONG, James Raymond, with Pawley & Malyon, London. LORD, Richard Edward, Manchester. LOWELL, Wesley William, with Bourner, Bullock & Co., Stoke-on-Trent. MCFALL, Thomas Langford, with Cooper Brothers & Co., Liverpool. MCINTYRE, Stanley George, formerly with G. H. Attenborough & Co., London. MACKAY, Andrew, with Ridley & Ridley, Newcastle-upon-Tyne. MCLEAN, Norman Weir, with Scott & Paterson, Edinburgh. MCMAHON, William Joseph, with J. A. Kinnear & Co., Dublin. MALLINSON, Renee Patricia, with W. H. Walker & Co., Liverpool. MANNING, William George Dowers, with Hill, Vellacott & Co., London. MARKER, John, with Samson & Coulson, London. MARKS, Arnold, formerly with Field & Co., Cardiff. MARSHALL, Douglas Charles, with Blakemore, Elgar & Co., London. MASLEN, Peter Innes, with Price Waterhouse & Co., London. MATHIAS, Ronald Sidney George, with Cash, Stone & Co., London. MATTHEWS, Thomas, with Albert Bell & Allan, Newcastle-upon-Tyne. MEAKIN, Norman, with Larking, Larking & Whiting, Bury St. Edmunds. MILLER, Ronald Albert, with A. E. Hook & Co., Newport, I.W. MILLET, Joseph Noel, with Price Waterhouse & Co., Newcastle-upon-Tyne. MITCHELL, James Ernest, Borough Treasurer's Department, Surbiton. MOFFAT, David Festus (*Festus Moffat & Co.*), Falkirk. MOORE, Allan, with Williamson, Butterfield & Roberts, Bradford. MOSELEY, Herbert Edgar, with Gibson, Hyslop & Winearls, Cape Town. MOSSFORD, Frederick Roy, with Walter Hunter, Bartlett, Thomas & Co., Newport, Mon. MOULSHER, Kenneth James, with Frank Haynes & Co., Leicester. MUNRO, Wilfrid Ferguson, with Bolton, Wawn & Co., Newcastle-upon-Tyne. MURCH, Robert Charles, with S. T. Milner, Harrogate. MURRELL, James Sydney, with George Cobley & Co., London. NATHAN, Murray, with Lawrence H. Fink, London. NESBITT, Frank, with Atkinson, Smith & Atkinson, Leeds. NEWTON, Basil, with de Paula, Turner, Lake & Co., London. NICHOLAS, Leslie Neal, with Midgley, Snelling & Co., London. NUTTALL, John Windle, with Harold J. Prestwich, Blackpool. O'CONNOR, Gerald Raymond, with Thos. Johnston & Co., Manchester. OWEN, John Tudor, with R. G. Cotter & Co., Birkenhead. PARKER,

Gordon Turner, with Saml. Edwd. Short & Co., Chesterfield. Parr, John Taylor, with Stanley Blythen & Co., Nottingham. Parry, Herbert Samuel, City Treasurer's Department, Newcastle-upon-Tyne. Paul, Ronald Wallace Michael, with Baber, Owen & Co., Bristol. Paxton, Graham John James, with K. W. Buckley, Torquay. Payne, Alan John William, with Middleton, Hawkins & Co., London. Pean, David Vanstone, formerly Borough Treasurer's Department, Stafford. Pearce, John Clifford, with Spain Brothers & Co., London. Pearson, John Reginald, with French & Foster, Bath. Pepperell, Roy William, with White & Pawley, Plymouth. Perham, Reginald Nicholas, with Keens, Shay, Keens & Co., London. Phillips, John Clive, with T. E. Lowe & Co., Wolverhampton. Pollard, John Nicholas, with H. J. Cox & Co., Luton. Potter, Joseph Bateman, City Treasurer's Department, Plymouth. Purdey, John, with Martin, Farlow & Co., London. Ray, Sukhendu, B.SC., formerly with D. P. Chatterjee, Calcutta. Ricks, Frederick Anthony, with F. Stokes & Ricks, Nottingham. Ridal, Geoffrey, with Walter Bell & Co., Sheffield. Rippington, Albert Henry, with Deloitte, Plender, Griffiths & Co., London. Roche, Christopher Michael, with Thompson & Wood, Hereford. Rodgers, Peter Anthony, formerly Borough Treasurer's Department, Darlington. Rose, Christopher Gerald Patrick, with Learoyd & Longbottom, Harrogate. Ross, Hugh Alexander, with Stokes Bros., & Pim, Dublin. Rowe, George Colin, with Harper, Kent & Wheeler, Shrewsbury. Rowlands, Wreford Francis, formerly with Jennings & Watkins, Neath. Rust, Gordon Spencer, with Saffery, Sons & Co., London. Sanderson, Rowland, Deputy Borough Treasurer, Keighley. Sandham, William Kenneth, with James Todd & Co., Preston. Scarfe, Peter, with Larking & Larking, Norwich. Schorah, Leslie, with Wilson, de Zouche & Mackenzie, Liverpool. Scott, Arthur Pawson, with John Gordon, Walton & Co., Leeds. Segrave, George David, with Clifford Towers, Temple & Co., London. Sidwell, Francis Bernard, with Price Waterhouse & Co., Leeds. Slipper, Roy James Frederick, with Slipper & Co., London. Smalley, Peter Albert, with Harold J. Prestwich, Blackpool. Smith, Francis Luke, with A. J. Paul & Co., Redruth. Smith, Harold, with Solomon Hare & Co., Bristol. Smith, Norman Alexander, with Gray, Stainforth & Co., London. Spooner, Robert, with Rawlinson and Hunter, London. Sterry, John George, with Kingscott, Dix & Co., Gloucester. Stocker, Gerald Julian, with Armitage & Norton, London. Stockwell, Herbert Thomas George, with Winder & Lloyd, London. Stone, Edward John, with Maurice E. Bulley & Co., Peterborough. Stout, Gordon Arthur, with Newman Ogle, Bevan & Co., London. Strudwick, Alfred, with Frank A. Cooper & Co., London. Summers, Norman, with Alexander B. Neil & Co., London. Summers, Philip John, with T. Harold Platts & Co., Birmingham. Suter, Leonard Albert, with Tudor Davies, Bridgend. Sweetman, Thomas Edward, with Chas. W. Rooke, Lane & Co., London. Swinson, Arthur Montague, with S. Primost & Co., London. Taylor, Herbert Gordon, with Robt. A. Plant & Co., Nuneaton. Taylor, Ronald Kenneth, with Roland J. L. Ball, Leeds. Terry, Henry Walter, with Deloitte, Plender, Griffiths & Co., London. Thompson, Douglas, with A. P. Burton & Co., Keighley. Thomson, William Algie, with Hemphill, Anderson & Co., Johannesburg. Tompkins, Horace Albert Edwin, Ministry of Supply, London. Tong, Maurice, with Sir Charles H. Wilson & Co., Leeds. Trimmer, Donald Raymond, with Turquand, Youngs & Co., London. Tucker, Arthur Edwin, with Charles Henry Symons & Co., Barnstaple. Ulbrick, Victor Charles, with Swallow, Crick & Co., Peterborough. Vaines, Albert Henry, with Brebner, Allen & Trapp, London. Van Wtberghe, Charles Georges Mary Frans William, with Armitage & Norton, Halifax. Verlander, Arthur Raymond Edward, with Spofforth & Prince, London. Wadsworth, Kenneth Edwin, with Walter Harrison & Son, Bradford. Walker, Thomas Leslie, with Wykes & Co., Leicester. Wallace, Arthur Gibson, with Alex. Aiken & Carter, Johannesburg. Walter, Alan Ernest Stephen Hill, with Newby, Dove & Rhodes, Leicester. Watkins, Ian Milwyn York, with Cassleton Elliott & Co., London. Wilkinson, Stanley, with Frank Hall, Leeds. Williams, John Nigel, formerly with the late E. W. Williams, Newport, Mon. Williams, Robert Elfed, with Phillips & Trump, Cardiff. Wilson, Arthur John, with R. S. Dawson & Co., Bradford. Winterburn, Eric, with Henderson & Eastwood, Liverpool. Wiseman, Edwin George, with Mathieson, King & Co., London. Withey, Robert, with S. J. Dudbridge & Sons, Stroud, Glos. Woodley, Arthur Stephen, with R. M. Blaikie & Co., High Wycombe. Woods, Colin Leo, with Craig, Gardner & Co., Dublin. Woolf, Leonard, with Wm. H. Jack & Co., London. Wragg, David Arthur, with Larking, Larking & Whiting, Wisbech. Wright, Ernest Leslie, with Viney, Price & Goodyear, London. Wright, Kenneth Thomas, with Lewis, Hillier & Co., Hemel Hempstead. Wright, Ronald Ernest, with Keens, Shay, Keens & Co., Luton. Wymark, Douglas Huthwaite, with A. C. Palmer & Co., London. Wynn-Williams, Ifor, with George Lang & Co., Liverpool. Yallup, Geoffrey Edward, with Cooke & Staples Parker, Mansfield.

MANCHESTER AND DISTRICT SOCIETY

The Incorporated Accountants' Society of Manchester and District, encouraged by the success of the innovation introduced last year (see Accountancy for April, 1950, page 130), recently held another joint meeting with the Association of H.M. Inspectors of Taxes (Manchester Centre). On this occasion Mr. C. Yates Lloyd, F.S.A.A., gave a paper entitled "The Effect of the Companies Act, 1948, upon the Accounting Profession and the Inland Revenue." In his paper Mr. Yates Lloyd examined, in particular, Sections 159, 160, 162, 196 and 198, and the Eighth Schedule, but also discussed many other provisions of the Act of common interest to accountants and the Inland Revenue. In the course of his very comprehensive address, Mr. Yates Lloyd gave as his opinion that the provision in the Act requiring the showing of only the total of individual assets should be extended so as to make it mandatory to show also the additions made during the year of account. He considered that the items which, by paragraphs 11 and 12 of the Eighth Schedule, are required to be disclosed in a note or statement, if not otherwise shown, are mostly so important that wherever practicable they should be inserted in the accounts themselves and not by way of note or annexed statement.

PERSONAL NOTES

Sir Frederick Alban, C.B.E., J.P., F.S.A.A., has been appointed Honorary Treasurer to the Welsh National School of Medicine.

Mr. Ernest Bedford, F.S.A.A., F.I.M.T.A., completed twenty-five years' service as Borough Treasurer of Stoke Newington on February 28. At a meeting of the borough council on that date he was presented by the Mayor with a gold cigarette case as a gift from past and present members of the council and chief officers.

Mr. Cecil A. Ellis, A.S.A.A., C.A. (Canada), has been appointed as an expert in the field of public utilities to the Technical Assistance Mission sent by the United Nations to the Republic of Colombia. Mr. Ellis was previously Chief Accountant to the Provincial Electricity Board in the Province of Quebec.

Alderman A. E. Pugh, J.P., F.S.A.A., has been elected Mayor of Newport, Mon., for 1951-52. His year of office will begin on May 22.

Our note in the February issue (page 36), on Incorporated Accountants in the New Year Honours List should have included the name of Squadron-Leader Oswald Gordon, R.A.F., an Associate of the Society, who received the O.B.E.

Mr. J. E. N. Brough, F.C.A., has taken into partnership Mr. G. F. Sayers, A.S.A.A. They are practising under the firm name of Brough, Sayers & Co. at 52, High Street, Knaresborough, and at Pateley Bridge and Boroughbridge.

Messrs. John L. Sanderson & Co., Incorporated Accountants, have opened an additional office at 29, Abbeygate, Bury St. Edmunds.

Messrs. Edwards & Edwards, Incorporated Accountants, Dorchester, announce that following the regretted death of their senior partner, Mr. A. H. Edwards, F.S.A.A.—reported in our Obituary column last month—the practice is being carried on under the same name by the remaining partners, Mr. Clifford Wild, F.S.A.A., and Mr. M. A. Edwards, A.S.A.A.

Messrs. Hemphill, Anderson & Co. have admitted as a partner Mr. W. A. Thomson, A.S.A.A. The firm name has been changed to Hemphill, Anderson, Bradley & Co., and their new address is Charter House, Cor. Rissik and Anderson Streets, Johannesburg.

Mr. F. J. Callow, Incorporated Accountant, has commenced public practice at 22, Athol Street, Douglas, Isle of Man.

Mr. Donald J. Muskett, Incorporated Accountant, has commenced public practice at 52, Clarendon Road, Watford, Herts. Telephone: Watford 2022.

Messrs. Evans, Davies & Co., London, W.4, have admitted Mr. R. S. Bromhead, A.C.A., to partnership. Mr. C. J. Evans has resigned from the partnership for reasons of health, but continues to be available for consultation.

Messrs. James Thoseby, Son & Co., Bradford, announce that following the regretted death of Mr. James Thoseby, F.S.A.A., their senior partner, the practice is being continued by the surviving partners, Mr. A. B. Thoseby, F.C.A., Mr. W. H. M. Isle, F.C.A., and Mr. C. Ramsden, A.C.A.

Mr. H. R. Whitfield, A.S.A.A., Secretary to H. B. Barnard & Sons, Ltd., London, has been appointed in addition a director of the company.

Mr. R. S. Buckle, M.B.E., A.S.A.A., Leeds, has taken into partnership Mr. William R. Barton, A.S.A.A. They will practise under the style of R. S. Buckle and Co., Incorporated Accountants, at 16-17, Stansfield Chambers, Great George Street, Leeds, 1.

Mr. J. P. Callin, Incorporated Accountant, has commenced public practice at 14, Athol Street, Douglas, Isle of Man.

REMOVALS

Messrs. George F. Haydon & Co., Incorporated Accountants, have removed their offices to 194, Tarring Road, Worthing.

Messrs. Hopkins, Stevenson & Co., Incorporated Accountants, have moved to new offices at 10, Rumford Place, Liverpool, 3.

Messrs. Pridie, Brewster & Gold, Chartered Accountants, announce a change of address to 2/3, Warwick Court, Gray's Inn, London, W.C.1. Telephone: Chancery 2581.

Messrs. Kilvington & Wells have removed their office to 48, The Green, Southwick, Sussex.

OBITUARY

James Charles Fay

The news of the death of James Charles Fay on February 16, 1951, at the age of 69, was received with widespread and deep regret.

Mr. Fay joined the staff of the Society of Incorporated Accountants in 1909 and became Chief Clerk in 1913: this position he occupied with increasing responsibilities until his retirement at the end of 1945. Appointed in 1920 as Secretary of the Incorporated Accountants Students' Society of London, his duties in this capacity were carried out concurrently. He worked for the Student's Society with a zest which but increased with time. The great progress made by the Students' Society, manifested in the development of its educational activities, its large membership and its publications, was substantially due to Mr. Fay's enthusiasm.

In the last war, Mr. Fay was determined to keep the work of the Students' Society alive—necessarily on a restricted basis—and the attenuated Committee active. As a result, contact was maintained with students who were on war service or prisoners-of-war; they welcomed the receipt of prints of a series of lectures given at that time under conditions of considerable difficulty. Thus at the end of the war, the Students' Society had in being an active organisation available for expansion.

To his colleagues in the Society's office, he gave his friendship and unfailing response in day-to-day work. Towards the junior staff he had quite naturally an avuncular attitude (to which his personality readily lent itself): this secured their loyalty and regard and singularly resolved minor difficulties concerning office personnel.

Unhappily his later life was clouded by the loss of one of his sons while on active service. This loss and the strain of the war led to a severe breakdown in health and regrettably on medical advice he retired from his thirty-six years' work for the Society at the end of 1945. He received a Resolution of Thanks and a gift from the Council of the Society and was elected an Honorary Member of the Students' Society. It is good to think that during his period of retirement his health somewhat improved.

As a Liveryman of the City of London, he was Prime Warden of the Worshipful Company of Basketmakers in 1948-49. He was a Founder of the Incorporated Accountants' Lodge of Freemasons and subsequently served the office of Master. His friends knew how intensely he was devoted to his family life, and the sympathy of the Society will be extended to Mrs. Fay and her two sons.

The funeral at Brompton Cemetery was attended by Mr. F. R. Witty (President), Mr. C. Evan-Jones (Secretary) and members of the Committee of the London Students' Society, Mr. D. Mahony, chairman of the London District Society, Mr. A. E. Howell, representing the Society's Auditors, Mr. A. A. Garrett and present members of the Society's staff.

Henry Abey

We regret to record the death on February 9 of Mr. Henry Abey, F.S.A.A. Mr. Abey was 81 years of age. Five years ago he retired from partnership in Messrs. Henry Chapman, Son & Co., South Shields, with whom he had been associated for fifty years—since 1908 as a partner. He qualified as an Incorporated Accountant in 1905, being awarded Honours in the Final Examination, and was elected to Fellowship in 1922. He was also formerly a director of the Wearside Building Society.

James Thoseby

We learn with regret that Mr. James Thoseby, F.S.A.A., died on February 25 at the age of 83. He became a member of the Society of Incorporated Accountants in 1908, after gaining Honours in the Final Examination, and in 1929 commenced public practice in Bradford. At the date of his death he was still practising there as senior partner in Messrs. Thoseby, Son and Co.